14/9/30 (Item 23 from file: 15)

00930469 95-79861

The nuts and bolts of toeing the line

Radigan, Joseph

United States Banker v104n10 PP: 48-49 Oct 1994 ISSN: 0148-8848
JRNL CODE: USI
DOC TYPE: Journal article LANGUAGE: English LENGTH: 2 Pages
WORD COUNT: 1340

ABSTRACT: The Community Reinvestment and Home Mortgage Disclosure Acts require time-consuming hands-on tasks as physically cross-checking the addresses on loan applications against actual **maps** for each census tract. There are **software** programs that **automate** this geocoding process, but no program suits every bank. Once street addresses are geocoded, lenders can track their lending business for each neighborhood. Since the census records the median income for each tract, **a** bank can quickly assess its business in the low- to moderate-income neighborhoods targeted by the various **fair lending laws** .

TEXT: Despite widespread automation, following the dictates of the Community Reinvestment and Home Mortgage Disclosure Acts often requires such time-consuming hands-on tasks as physically cross-checking the addresses on loan applications against actual maps for each census tract. There are software programs that automate this geocoding process, but no program suits every bank.

One problem is that loan application and origination is still a paper-based process at many banks. In addition, the tortuous path that data must follow from application to compliance includes only a few automated steps. Even those functions that have been automated aren't easily integrated in many instances. That leads to the same information being typed and retyped, which is both time-consuming and likely to produce errors. That gets to the thorniest issues surrounding fair lending compliance.

The data that banks include in their HMDA and CRA reports are made public, and where they show weaknesses in lending volume or approval rates in low-income or minority neighborhoods, they set off alarms among housing advocates and the general-interest press.

"The banks in many cases say the data is inaccurate," says Lee Cross, a spokeswoman for the Office of the Comptroller of the Currency, "but it's data they themselves have submitted." She says that regulators have found getting accurate data to be a persistent problem.
None of this means that the compliance software landscape is barren; on a scale of 1 to 10, it's rated a 5 or 6 by one banker who has just completed a survey of the field. But more progress clearly needs to be made before compliance becomes less burdensome.

Even those automated systems that do exist too often permit electronic loan application forms to be processed without the inclusion of CRA- or HMDA-mandated data--an important control feature, according to Bob Barton, an organizational assessment manager at Pittsburgh-based Integra Financial Corp. He surveyed 20 other lending institutions as the first step in reengineering Integra's lending operations.

It's still an everyday occurrence for loan officers to leave out an applicant's race or the reason for rejection. That means someone from compliance has to call the branch that originated the loan and have the loan officer supply the missing information. This takes time, costs money and leads to mistakes. Worse yet, some of those mistakes wind up being filed with regulators.

A Fail-Safe Solution

Old Second National Bank, located in the Chicago suburb of Aurora, IL, has

found a solution to this particular problem. The bank's origination system, which uses the Mortgage Publisher program from Formation Technologies of Denver, requires loan officers to follow a series of pre-determined steps before sending an application on for credit review and underwriting, says Kathy Lorenzi, the manager of technical support for the $345-million-asset bank. If information is left out, the loan file can't be stored. That makes it almost axiomatic that a home loan is compliant with fair lending regulations. "It's not so simple that your loan officers don't have to know what they're doing," says Lorenzi, but it does help.

Mortgage Publisher costs $5,500 for a single-user version, and $12,500 for a network version.

The program will run on IBM-compatible computers with an 80386 Intel Corp. processor and 4M bytes of memory. It can run on Microsoft Corp.'s DOS, Windows NT and Windows 4.0 operating systems and IBM Corp.'s OS/2.

Integra, too, hopes to tackle some of its more pressing software problems as it automates the application phase for its consumer lending and mortgage business, says Barton. In the next few months, it intends to install the Credit Review consumer lending system from Credit Management Solutions Inc. (CMSI) of Rockville, MD, and the Control Z mortgage origination program from Lakewood Corp. of Greenfield, NH. The CMSI system will not permit a file to be stored unless all the CRA and HMDA information has been entered.

The base cost of Credit Review is $150,000 for a one- to 32-user license. Control Z's price starts at $50,000, and it varies with the number of users and modules bought.

As Barton describes it, the software has several screens for each loan application. Before a loan officer can proceed from one screen to the next, each piece of data required for CRA or HMDA must be entered. Without it, the loan officer can't complete the application.

Just One Step

But automating origination is only one step in a long process, and it falls well short of realizing the dream of an all-encompassing system. Such a system would take the application data, store it, retrieve and plot it against computerized census tract images, and finally transmit it to banking regulators in the format they've specified.

Why hasn't such a system been produced? One explanation stems from the state of software technology today. Systems integration, and transmitting information from one software application to another, are still a less than perfect science. Many programs in the compliance arena do one or two functions, but they don't readily share information with one another. Only a small percentage of banks employ the software engineers with the expertise to work around this.

Finally, even when a bank has mapped the data by census tract, it still isn't in the format that regulators want. For whatever reason, regulators and lenders have been talking two different languages.

The agencies responsible for **fair lending** exams--including the Federal Reserve, the Federal Deposit Insurance Corp. and the OCC--supply banks with pre-formatted computer diskettes which include a series of questions and simple spreadsheets. Banks use these to **report** their **HMDA** data every spring. Then, in the fall, the feds send back **reports** that analyze the banks' own filings.

Feds Compound the Problem

Oddly enough, the regulators don't follow a common format. This disparity is an accident of history. Industry standards for mortgage origination simply don't exist, says a spokesman for CFI ProServices Inc., a Portland, OR, developer of fair lending software. So software publishers, banks and regulators have typically gone in separate directions. The Mortgage Bankers

Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. are all working on standardization initiatives, but it is unclear if they will harmonize their efforts.

In the meantime, progress is coming a step at a time. The latest version of FormAtion's Mortgage Publisher extracts data from applications and prepares it for filing with CRA and HMDA reports. In addition, the CMSI system Integra will install boasts a geocoding function, whereby street addresses are matched with their census tracts. However, Barton says Integra will have to modify Lakewood's Control Z before it can perform the geocoding function.

Once street addresses are geocoded, lenders can track their lending business for each neighborhood. Since the census records the median income for each tract, a bank can quickly assess its business in the low- to moderate-income neighborhoods targeted by the various fair lending laws.

Unfortunately, the majority of lenders will probably need to go much further, according to Jeff LaBar, a product manager with CFI ProServices. Not only will lenders need to start bunching all manner of lending--including small business loans--under the CRA umbrella, but they will soon be called upon to train their regular branch staffs for the vagaries of CRA-type lending. Future versions of platform software will have to be sophisticated enough to assist lenders in meeting the special needs of lower-income borrowers.

And that's something banks can use to their advantage if they recognize the opportunity. "People automatically think that compliance costs them money," says Lance Gallagher, an assistant vice president for credit administration and loan operations at the $100-million-asset Bank of Lodi in Lodi, CA. "But with the mapping software, you're able to identify areas where you need to do business by ethnic group. Plus, it lets you go in with the product to match the census tract. If you have a tract that has a high concentration of business, then it's your SBA people who go in, and not your residential mortgage people."

Ultimately, the goal is to turn lending compliance into a marketing opportunity. But in the meantime, there are those reports to fill out.

THIS IS THE FULL-TEXT.
GEOGRAPHIC NAMES: US
DESCRIPTORS: Loan approval procedures; Software packages; Automation; Fair lending
CLASSIFICATION CODES: 3200 (CN=Credit management); 8120 (CN=Retail banking) ; 9190 (CN=United States); 5240 (CN=Software & systems)
?

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show files;ds
File   9:Business & Industry(R) Jul/1994-2000/Mar 22
         (c) 2000 Resp. DB Svcs.
File  15:ABI/INFORM(R) 1971-2000/Mar 17
         (c) 2000 Bell & Howell
File  16:Gale Group PROMT(R) 1990-2000/Mar 22
         (c) 2000 The Gale Group
File  20:World Reporter 1997-2000/Mar 22
         (c) 2000 The Dialog Corporation plc
File 148:Gale Group Trade & Industry DB 1976-2000/Mar 22
         (c)2000 The Gale Group
File 169:Insurance Periodicals 1984-1999/Nov 15
         (c) 1999 NILS Publishing Co.
File 267:Finance & Banking Newsletters 2000/Mar 20
         (c) 2000 The Dialog Corp.
File 268:Banking Information Source 1981-1999/Nov W2
         (c) 1999 Bell & Howell
File 473:Financial Times Abstracts 1998-2000/Mar 21
         (c) 2000 The New York Times
File 475:Wall Street Journal Abs 1973-2000/Mar 21
         (c) 2000 The New York Times
File 485:Accounting and Tax Database 1971-1999/Nov W2
         (c) 1999 Bell & Howell
File 583:Gale Group Globalbase(TM) 1986-2000/Mar 22
         (c) 2000 The Gale Group
File 621:Gale Group New Prod.Annou.(R) 1985-2000/Mar 22
         (c) 2000 The Gale Group
File 623:Business Week 1985-2000/Mar W2
         (c) 2000 The McGraw-Hill Companies Inc
File 625:American Banker Publications 1981-2000/Mar 22
         (c) 2000 American Banker
File 635:Business Dateline(R) 1985-2000/Mar 21
         (c) 2000 Bell & Howell
File 636:Gale Group Newsletter DB(TM) 1987-2000/Mar 22
         (c) 2000 The Gale Group
File 275:Gale Group Computer DB(TM) 1983-2000/Mar 22
         (c) 2000 The Gale Group

Set     Items   Description
S1       2097   FAIR?()LEND?()(ACT? ? OR RULE? ? OR REGULATION? ? OR REG? ?
              OR LAW? ?)
S2      39746   CRA OR HMDA OR CRAHMDA OR (COMMUNITY()REINVESTMENT()ACT) OR
              (HOME()MORTGAGE()DISCLOSURE()ACT)
S3       6179   TRUTH(1W)LEND?
S4       9328   FAIR?(2N)LEND?
S5    2074972   COMPLIANCE OR COMPLY OR COMPLI? ? OR CONFORM? OR OBSERVE? -
             OR ACCOMMODAT?
S6      10810   (S1 OR S2)(S)(S3 OR S4 OR S5)
S7        689   (SOFTWARE OR COMPUTERI? OR AUTOMATE? OR AUTOMATING OR ONLI-
             NE OR ON()LINE OR ELECTRONIC?)(S)S6
S8      52911   NORMALI?
S9         19   S6 AND S8
S10        13   RD (unique items)
S11   7879419   REPORT?
S12      1543   S6(S)S11
S13       229   S7 AND S12
S14       229   S13 NOT S9
S15       192   S14 NOT PY=1998:2000
S16       140   RD (unique items)
S17        87   S16 AND (STATISTIC? OR ANALY? OR S8 OR OUTCOME? OR NUMERIC-
             ?)
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3-16-00

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     FILE 'USPATFULL' ENTERED AT 14:43:28 ON 22 MAR 2000
                SET HIGHLIGHT ON
L1            0 SEA FAIR?(W)LEND?(W)(ACT# OR RULE# OR REGULATION# OR REG# OR
                LAW# OR POLICY OR POLICIES)
L2          795 SEA CRA OR HMDA OR (COMMUNITY(W)REINVESTMENT(W)ACT#) OR
                (HOME(W)MORTGAGE(W)DISCLOSURE(W)ACT#)
                D KWIC 1-3
L3            2 SEA COMMUNITY(W)REINVESTMENT(W)ACT#
                D KWIC 1-2
L4           25 SEA (FAIR? OR TRUTH)(2A)LEND?
L5       920457 SEA COMPLIANCE OR COMPLY OR COMPLIE# OR CONFORM? OR OBSERVE?
                OR ACCOMMODAT?
L6           16 SEA L4 AND L5
L7            3 SEA L4(P)L5
                D KWIC 1-3
L8           18 SEA L3 OR L6


     FILE HOME

     FILE USPATFULL
     FILE COVERS 1971 TO PATENT PUBLICATION DATE: 21 Mar 2000 (20000321/PD)
     FILE LAST UPDATED: 21 Mar 2000 (20000321/ED)
     HIGHEST PATENT NUMBER: US6041434
     CA INDEXING IS CURRENT THROUGH 21 Mar 2000 (20000321/UPCA)
     ISSUE CLASS FIELDS (/INCL) CURRENT THROUGH: 21 Mar 2000 (20000321/PD)
     REVISED CLASS FIELDS (/NCL) LAST RELOADED: Oct 1999
     USPTO MANUAL OF CLASSIFICATIONS THESAURUS ISSUE DATE: Nov 1999

     >>> Page images are available for patents from 1/1/96.  Current     <<<
     >>> week patent text is typically loaded by Thursday morning and     <<<
     >>> page images are available for display by the end of the day.     <<<
     >>> Image data for the /FA field are available the following week.   <<<

     >>> Complete CA file indexing for chemical patents (or equivalents) <<<
     >>> is included in file records.  A thesaurus is available for the  <<<
     >>> USPTO Manual of Classifications in the /NCL, /INCL, and /RPCL    <<<
     >>> fields.  This thesaurus includes catchword terms from the        <<<
     >>> USPTO/MOC subject headings and subheadings.  Thesauri are also   <<<
     >>> available for the WIPO International Patent Classification       <<<
     >>> (IPC) Manuals, editions 1-6, in the /IC1, /IC2, /IC3, /IC4,      <<<
     >>> /IC5, and /IC (/IC6) fields, respectively.  The thesauri in      <<<
     >>> the /IC5 and /IC fields include the corresponding catchword      <<<
     >>> terms from the IPC subject headings and subheadings.             <<<

     This file contains CAS Registry Numbers for easy and accurate
     substance identification.

=> d cbib 1-18


L8   ANSWER 1 OF 18  USPATFULL
1999:157327 Interactive mortgage and loan information and real-time trading
    system.
    Fraser, Stephen K., Livermore, CA, United States
```

Adiga, Sadashiv, Hercules, CA, United States
Payankannur, Suresh, Richmond, CA, United States
IMX Mortgage Exchange, San Ramon, CA, United States (U.S. corporation)
US 5995947 19991130
APPLICATION: US 1997-928559 19970912 (8)
DOCUMENT TYPE: Utility.

L8 ANSWER 2 OF 18 USPATFULL
1999:97761 Closed loop financial transaction method and apparatus.
Norris, Jeffrey A., Lexington, SC, United States
Affinity Technology Group, Inc., Columbia, SC, United States (U.S. corporation)
US 5940811 19990817
APPLICATION: US 1996-732584 19961015 (8)
DOCUMENT TYPE: Utility.

L8 ANSWER 3 OF 18 USPATFULL
1999:57544 Method of managing a loan for funding a pension.
Mitchell, Clark Alan, 1408 E. Chicago Cir., Chandler, AZ, United States 85225-5440
US 5903879 19990511
APPLICATION: US 1996-739437 19961029 (8)
DOCUMENT TYPE: Utility.

L8 ANSWER 4 OF 18 USPATFULL
97:107921 **Community reinvestment act** network.
McClelland, Glenn B., 5 Sylvan La., Old Greenwich, CT, United States 06870
Levinson, Richard D., 28 Furnace Woods Rd., Cortlandt Manor, NY, United States 10566
Sloan, Judith S., 26 Leslie Pl., New Rochelle, NY, United States 10804
US 5689650 19971118
APPLICATION: US 1995-393423 19950223 (8)
DOCUMENT TYPE: Utility.

L8 ANSWER 5 OF 18 USPATFULL
97:89769 Computer system for producing an illustration of an investment repaying a mortgage.
Ryan, Ronald D., Wilton, CT, United States
Marquart, Ronald G., Towson, MD, United States
Millwood, Timothy S., Atlanta, GA, United States4)
The Homeowner's Endorsement Plan Incorporated, Stamford, CT, United States (U.S. corporation)
US 5673402 19970930
APPLICATION: US 1992-912978 19920817 (7)
DOCUMENT TYPE: Utility.

L8 ANSWER 6 OF 18 USPATFULL
97:30045 High-dielectric-constant material electrodes comprising thin ruthenium
dioxide layers.
Summerfelt, Scott R., Dallas, TX, United States
Beratan, Howard R., Richardson, TX, United States
Gnade, Bruce E., Dallas, TX, United States
Texas Instruments Incorporated, Dallas, TX, United States (U.S. corporation)
US 5619393 19970408
APPLICATION: US 1995-472149 19950607 (8)
DOCUMENT TYPE: Utility.
CAS INDEXING IS AVAILABLE FOR THIS PATENT.

L8 ANSWER 7 OF 18 USPATFULL
96:116856 Adaptive distribution system for transmitting wideband video data over narrowband multichannel wireless communication system.
Schwaller, John, 1358 Buffing Cir., Palm Bay, FL, United States 32909
US 5585850 19961217

APPLICATION: US [illegible]4-331773 19941031 (8)
DOCUMENT TYPE: Utility.

L8 ANSWER 8 OF 18 USPATFULL
96:112020 High-dielectric-constant material electrodes comprising thin platinum
layers.
Summerfelt, Scott R., Dallas, TX, United States
Beratan, Howard R., Richardson, TX, United States
Kirlin, Peter S., Bethel, CT, United States
Gnade, Bruce E., Dallas, TX, United States
Texas Instruments Incorporated, Dallas, TX, United States (U.S. corporation)
US 5581436 19961203
APPLICATION: US 1995-482101 19950607 (8)
DOCUMENT TYPE: Utility.
CAS INDEXING IS AVAILABLE FOR THIS PATENT.

L8 ANSWER 9 OF 18 USPATFULL
96:107094 High-dielectric-constant material electrodes comprising thin platinum
layers.
Summerfelt, Scott R., Dallas, TX, United States
Beratan, Howard R., Richardson, TX, United States
Kirlin, Peter S., Bethel, CT, United States
Gnade, Bruce E., Dallas, TX, United States
Texas Instruments Incorporated, Dallas, TX, United States (U.S. corporation)Advanced Technology Materials, Inc., Danbury, CT, United States
(U.S. corporation)
US 5576928 19961119
APPLICATION: US 1995-475121 19950607 (8)
DOCUMENT TYPE: Utility.
CAS INDEXING IS AVAILABLE FOR THIS PATENT.

L8 ANSWER 10 OF 18 USPATFULL
96:95173 High-dielectric-constant material electrodes comprising thin platinum
layers.
Summerfelt, Scott R., Dallas, TX, United States
Beratan, Howard R., Richardson, TX, United States
Kirlin, Peter S., Bethel, CT, United States
Gnade, Bruce E., Dallas, TX, United States
Texas Instruments, Inc., Dallas, TX, United States (U.S. corporation)Advanced Technology Materials, Inc., Danbury, CT, United States
(U.S. corporation)
US 5566045 19961015
APPLICATION: US 1994-283881 19940801 (8)
DOCUMENT TYPE: Utility.
CAS INDEXING IS AVAILABLE FOR THIS PATENT.

L8 ANSWER 11 OF 18 USPATFULL
93:68198 System and process for converting constant dollar financial
instruments.
Perg, Wayne F., Phoenix, AZ, United States
Brumley, Lyndel D., Phoenix, AZ, United States
RealValue Corporation, Phoenix, AZ, United States (U.S. corporation)
US 5237500 19930817
APPLICATION: US 1990-485543 19900227 (7)
DOCUMENT TYPE: Utility.

L8 ANSWER 12 OF 18 USPATFULL
92:56198 Method for the control of positioning systems.
Stelzer, deceased, Joerg H. M., late of Erlangne, Germany, Federal Republic
of

Stelzer, heir, by Willi, Essen, Germany, Federal Republic of
Stelzer, heir, by Irmgard, Essen, Germany, Federal Republic of
Rusch, Matthias, Berlin, Germany, Federal Republic of
Siemens Aktiengesellschaft, Berlin & Munich, Germany, Federal Republic of (non-U.S. corporation)
US 5129045 19920707
APPLICATION: US 1991-677315 19910329 (7)
PRIORITY: EP 1990-106197 19900330
DOCUMENT TYPE: Utility.

L8 ANSWER 13 OF 18 USPATFULL
92:11647 Process for producing fine and ultrafine filament superconductor wire.
Kanithi, Hem C., 15 Briar Ct., Chesire, CT, United States 06410
US 5088183 19920218
APPLICATION: US 1990-517351 19900501 (7)
DOCUMENT TYPE: Utility.
CAS INDEXING IS AVAILABLE FOR THIS PATENT.

L8 ANSWER 14 OF 18 USPATFULL
89:87935 System and method for implementing and administering a mortgage plan.
Lloyd, Clarke B., 4710 N. Marine Dr., Ste. 23A, Chicago, IL, United States 60613
US 4876648 19891024
APPLICATION: US 1988-143003 19880112 (7)
DOCUMENT TYPE: Utility.

L8 ANSWER 15 OF 18 USPATFULL
89:48329 Automated printing control system.
Freedman, Henry B., P.O. Box 324, Split Rock Rd., Lake Harmony, PA, United States 18624
US 4839829 19890613
APPLICATION: US 1986-927886 19861105 (6)
DOCUMENT TYPE: Utility.

L8 ANSWER 16 OF 18 USPATFULL
85:26950 Coating recoverable sheets.
Wille, Marc, Baal, Belgium
N. V. Raychem S.A., Belgium (non-U.S. corporation)
US 4515831 19850507
APPLICATION: US 1982-435158 19821019 (6)
PRIORITY: GB 1981-30259 19811023
DOCUMENT TYPE: Utility.

L8 ANSWER 17 OF 18 USPATFULL
83:48906 Rotary hydraulic damper.
Schultz, John C., Buffalo, NY, United States
Houdaille Industries, Inc., Fort Lauderdale, FL, United States (U.S. corporation)
US 4411341 19831025
APPLICATION: US 1981-244808 19810317 (6)
DOCUMENT TYPE: Utility.

L8 ANSWER 18 OF 18 USPATFULL
72:33391 FILMING APPARATUS.
Beckham, Robert R., Toledo, OH, United States
Walters, Emmett L., Toledo, OH, United States
Brown, Jack G., Toledo, OH, United States
De Rose, Kenneth M., Toledo, OH, United States
Ryan, Joseph D., Toledo, OH, United States
Libbey-Owens-Ford Company, Toledo, OH, United States
US 3673981 19720704
APPLICATION: US 1969-862998 19690513 (4)

2/6,K/1 (Item 1 from file: 9)

02052306 (USE FORMAT 7 OR 9 FOR FULLTEXT)
Who's Big in Small Biz
January 1998
WORD COUNT: 249

(USE FORMAT 7 OR 9 FOR FULLTEXT)

TEXT:
...3.5
10 American Express Co. $2.7
Source: PCi Services

The data, compiled using **CRA Wiz** Trademark, shows that no bank has a commanding lead, and that market share is well...

2/6,K/2 (Item 1 from file: 15)

01708248 03-59238
USE FORMAT 9 FOR FULL TEXT
A look at compliance software
Sep 1998

...TEXT: the Centrax software for several years. Although some newer competitive software has come out, like **CRA Wiz** from Boston-based PCi Services Inc., and CRA Analyzer from Andover, Mass.-based Tactician Corp... maintain the highest compliance standards." The costs of noncompliance can be prohibitive (see accompanying story).

CRA Wiz and CRA Analyzer are preferred by some institutions because these are the programs that regulators favor. The OTS and the OCC use **CRA Wiz** in their exams. The FDIC uses CRA Analyzer. For smaller institutions with less stringent reporting...

...and other types of loans;

The larger programs that include HMDA reporting capabilities, such as **CRA Wiz** and CRA Analyzer, are much more expensive than HMDA RELIEF, says QuestSoft President Leonard Ryan. (Like Centrax, **CRA Wiz** does offer a stripped-down version of its program). For institutions with fewer than 100 ...

2/6,K/3 (Item 2 from file: 15)

01557252 02-08241
USE FORMAT 9 FOR FULL TEXT
How to weather the new CRA performance examination: A large bank and a small bank perspective
Nov/Dec 1997

...TEXT: use of financial services.

CRA tools are heavily relied on by examiners. Our examiners used **CRA Wiz** and the bank performance report as their primary tools.

Overall, there are no numeric standards...

2/6,K/4 (Item 3 from file: 15)

01477204 01-28192

USE FORMAT 9 FOR FULL TEXT

Working afield to keep in close touch with compliance

Jul 1997

...ABSTRACT: FDIC examiners to attain more efficient compliance and Community Reinvestment Act examinations. With software called **CRA Wiz** , the OTS is able to manipulate the Home Mortgage Disclosure Act data furnished by savings...

...TEXT: soundness exams," including off-site pre-exam reviews and analyses.

For example, with software called **CRA Wiz** , the OTS is able to manipulate the Home Mortgage Disclosure Act data furnished by savings...

2/6,K/5 (Item 1 from file: 16)

DIALOG(R)File 16:(c) 1998 Information Access Co. All rts. reserv.

07698696 SUPPLIER NUMBER: 50254557

PCi Services Releases 1997 CRA U.S. Small Business Lending Activity

August 19, 1998

FULL TEXT AVAILABLE IN FORMAT 7 OR 9 WORD COUNT: 643

... 1997 data collected under the Community Reinvestment Act (CRA). The results, produced with PCi's **CRA Wiz** (TM) lending analysis software, indicate that Wells Fargo Bank was the largest provider of loans...

... of loans, Mountainwest Financial Corp. would be the top small business lender in the nation.

CRA Wiz (TM) is the only software package capable of quickly producing different analyses of these data...

...1997 data collected under the Community Reinvestment Act (CRA). The results, produced with PCi's **CRA Wiz** (TM) lending analysis software, indicate that Wells Fargo Bank was the largest provider of loans...

...of loans, Mountainwest Financial Corp. would be the top small business lender in the nation.

CRA Wiz (TM) is the only software package capable of quickly producing different analyses of these data...

2/6,K/6 (Item 2 from file: 16)

DIALOG(R)File 16:(c) 1998 Information Access Co. All rts. reserv.

06909492 SUPPLIER NUMBER: 06916505

BMA endorses PCI's compliance software.

CRA Wiz compliance software prod is endorsed by Bank Marketing Assn to help its members handle CRA compliance more effectively

April, 1997

The Bank Marketing Association (BMA) is endorsing PCI Services Inc.'s **CRA Wiz** compliance software product to help its members handle CRA compliance more effectively. The software, consisting...

...is used by KPMG Peat Marwick, Barefoot Marinnan & Associates and Freddie Mac among others. With **CRA Wiz** , a bank can use the Mapper module to view lending activity, map household penetration and...

2/6,K/7 (Item 3 from file: 16)

DIALOG(R)File 16:(c) 1998 Information Access Co. All rts. reserv.

06260354

Cheaper Access on Internet Seen Forcing Innovation By Compliance Vendors

June 27, 1996

FULL TEXT AVAILABLE IN FORMAT 7 OR 9 WORD COUNT: 574

...key to keeping a step ahead.
She pointed to CRA compliance products like PCI Services' **CRA Wiz** and Tactician Corp.'s CRA Analyzer as examples. Both help banks track their CRA lending...

2/6,K/8 (Item 4 from file: 16)
DIALOG(R)File 16:(c) 1998 Information Access Co. All rts. reserv.

06077143
Even Regulators Using CRA Wiz **Software**
Mfrs CRA Wiz software; sftwr is becoming most popular for compliance w/ Community Reinvestmt Act
March 14, 1996

Even Regulators Using CRA Wiz **Software**...

CRA Wiz by PCI Services (Boston, MA) is becoming the most popular software among bankers and regulators...

2/6,K/9 (Item 1 from file: 20)
DIALOG(R)File 20:(c) 1998 The Dialog Corporation plc. All rts. reserv.

02620102 (USE FORMAT 7 OR 9 FOR FULLTEXT)
PCi Releases Corrected 1997 Small Business Lending Data
August 26, 1998
WORD COUNT: 570

(USE FORMAT 7 OR 9 FOR FULLTEXT)

...1997 data collected under the Community Reinvestment Act (CRA). The results, produced with PCi's **CRA Wiz** (TM) lending analysis software, indicate that Wells Fargo Bank was the largest provider of loans...
... of loans, Mountainwest Financial Corp. would be the top small business lender in the nation.
CRA Wiz (TM) is the only software package capable of quickly producing different analyses of these data...

2/6,K/10 (Item 1 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

09739420 SUPPLIER NUMBER: 19766965 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Examinations at a distance. (off-site bank evaluations)(includes related article on compliance examinations)
July, 1997
WORD COUNT: 3864 LINE COUNT: 00311

... soundness exams," including off-site pre-exam reviews and analyses.
For example, with software called **CRA Wiz** , the OTS is able to manipulate the Home Mortgage Disclosure Act data furnished by savings...

2/6,K/11 (Item 2 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

08817932 SUPPLIER NUMBER: 18430411 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Cheaper access on Internet seen forcing innovation by compliance vendors.
June 27, 1996
WORD COUNT: 605 LINE COUNT: 00051

... key to keeping a step ahead.
She pointed to CRA compliance products like PCI Services' **CRA Wiz** and Tactician Corp.'s CRA Analyzer as examples. Both help banks track their CRA lending...

2/6,K/12 (Item 3 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

08650437 SUPPLIER NUMBER: 18268790 (USE FORMAT 7 OR 9 FOR FULL TEXT)
N.Y. Banking Department acts to standardize CRA regulations, examinations.(New York State Banking Department, Community Reinvestment Act)(Brief Article)
May 9, 1996
WORD COUNT: 311 LINE COUNT: 00028

... regulations.
New York has made other changes to its CRA exams. The department has bought **CRA Wiz** , a geocoding and mapping software product, to help examine lending data more accurately.
It also...

2/6,K/13 (Item 4 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

08627757 SUPPLIER NUMBER: 18233771 (USE FORMAT 7 OR 9 FOR FULL TEXT)
View of bank regulations as merely a risk factor questioned at gathering.(Western League of Savings Institutions' compliance conference, San Diego, CA)
April 25, 1996
WORD COUNT: 494 LINE COUNT: 00042

... Community Reinvestment Act data gathering and analysis.
The Office of Thrift Supervision will be using **CRA Wiz** , a data gathering and mapping product from PCI Services of Andover, Mass., to expedite its...

...used in exams by May.
The Office of the Comptroller of the Currency also uses **CRA Wiz** . The Federal Deposit Insurance Corp. relies on CRA Analyzer from Tactician Corp. for its data...

2/6,K/14 (Item 5 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

08557109 SUPPLIER NUMBER: 18092012 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Even regulators using CRA Wiz **software.(Community Reinvestment Act compliance and evaluation software from PCI Services)**
March 14, 1996
WORD COUNT: 112 LINE COUNT: 00011

Even regulators using CRA Wiz **software.(Community Reinvestment Act compliance and evaluation software from PCI Services)**

ABSTRACT: PCI Services has made **CRA Wiz** , a software package to aid banks in compliance with the Community Reinvestment Act. The Office...

...to use in evaluating compliance. Several bank officials in charge of compliance have picked the **CRA Wiz** package over other software. The software can cost from $5000 to $30,000 depending on...

2/6,K/15 (Item 6 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

08000261 SUPPLIER NUMBER: 17103608 (USE FORMAT 7 OR 9 FOR FULL TEXT)
CRA software wins raves for speed, flexibility.(PCI Services CRA Wiz **Community Reinvestment Act compliance software)**
June 22, 1995
WORD COUNT: 658 LINE COUNT: 00056

CRA software wins raves for speed, flexibility.(PCI Services CRA Wiz

Community Reinvestment Act compliance software)

ABSTRACT: PCI Services has impressed the banking industry with its **CRA Wiz** software. The product helps banks comply with Community Reinvestment Act requirements by allowing analysis of market penetration, lending patterns, and fair-lending law compliance for themselves and their competitors. **CRA Wiz** has been on the market since September of 1994, but it has already been updated...

Less than a year old, the product, called **CRA Wiz** , this month got its biggest public showing to date at the American Bankers Association's...

...It was a hometown crowd for PCI Services, the Boston-based consulting firm that developed **CRA Wiz** . The versatile software lets users analyze their own lending patterns as well their competitors'. Banks...

...can do just about anything you want in terms of analyzing the data."

PCI introduced **CRA Wiz** nine months ago, after making a name for itself providing geoanalysis for banks. The company...

...banks have deeper pockets," Mr. Festekjian added.

The average customer pays $12,000 for the **CRA Wiz** software, which includes data for the whole country. As interstate branching approaches, **CRA Wiz** can help banks analyze market opportunities and check out potential
competition.

While most customers buy...

...for software covering one state.

Although the CRA compliance market is crowded, Mr. Festekjian said **CRA Wiz** is faster and easier to use than its competitors.

Chemical's Mr. Spariosu said he...

...do the same tasks.

"The speed is phenomenal," Mr. Spariosu said. For example, he said **CRA Wiz** can analyze all of Chemical's loans in Nassau and Suffolk counties on New York...

...by race, applications in certain census tracts, or outstanding loans by county.

Besides spot-checking, **CRA Wiz** also can monitor a bank's performance over time. Chemical is using the product to...

2/6,K/16 (Item 1 from file: 268)

00314833 (USE FORMAT 7 FOR FULLTEXT)
Compliance help
Jul 1997
WORD COUNT: 01088

...ABSTRACT: packages that perform tasks for Community Reinvestment Act (CRA) and fair lending compliance analysis are **CRA Wiz** from PCI Services Inc. and Centrax from Centrax Services Inc.

... based packages that perform tasks for Community Reinvestment Act and fair lending compliance analysis are **CRA Wiz** from PCI Services Inc. and Centrax from Centrax Services Inc.

CRA Wiz comes in the following three modules: a database analyzer foundation piece, a geocoder and a...

...errors individually, without re-geocoding a whole file.

Originally designed for larger banks' compliance staffs, **CRA Wiz** is now being sold to community banks directly and through thirdparties. Geography-based prices run...

2/6,K/17 (Item 2 from file: 268)

00307645 (USE FORMAT 7 FOR FULLTEXT)
The dime and the CRA: Implementing a comprehensive approach
Mar 17, 1997
WORD COUNT: 00716

...ABSTRACT: regulations. The Dime beefed up its CRA strategy with some CRA compliance technology. The software, **CRA Wiz**, was purchased from PCI Services of Boston.
... what types of loans were being made in the bank's lending area.
The software, **CRA Wiz**, was purchased from a software company, PCI Services of Boston. Cost for the system can...

2/6,K/18 (Item 3 from file: 268)

00278939
OCC's field examiners to use CRA software
Feb 1, 1996

ABSTRACT: National bank regulators with the OCC will begin using **CRA Wiz**, a mapping software product from PCI Services, in their fair-lending and Community Reinvestment Act...

2/6,K/19 (Item 1 from file: 570)

01036265 SUPPLIER NUMBER: 01036435
Working Afield to Keep in Close Touch with Compliance
July, 1997
FULL TEXT AVAILABLE IN FORMAT 9 WORD COUNT: 440

... soundness exams,' including off-site pre-exam reviews and analyses.
For example, with software called **CRA Wiz**, the OTS is able to manipulate the Home Mortgage Disclosure Act data furnished by savings...

2/6,K/20 (Item 1 from file: 625)

0184405
*** Cheaper Access on Internet Seen Forcing Innovation By Compliance Vendors**
June 27, 1996

TEXT:
...key to keeping a step ahead.
She pointed to CRA compliance products like PCI Services' **CRA Wiz** and Tactician Corp.'s CRA Analyzer as examples. Both help
banks track their CRA lending...

2/6,K/21 (Item 2 from file: 625)

0181435
N.Y. Banking Department Acts to Standardize CRA Regulations, Examinations
May 9, 1996

TEXT:
...regulations.
New York has made other changes to its CRA exams. The department has bought **CRA Wiz**, a geocoding and mapping software product, to help examine
lending data more accurately.
It also...

2/6,K/22 (Item 3 from file: 625)

0180723
REPORTER'S NOTEBOOK: View of Bank Regulations As Merely a Risk Factor Questioned at Gathering
April 25, 1996

TEXT:
...Community
Reinvestment Act data gathering and analysis.
The Office of Thrift Supervision will be using **CRA Wiz**, a data gathering
and mapping product from PCI Services of Andover, Mass., to expedite its...

...used in exams by May.
The Office of the Comptroller of the Currency also uses **CRA Wiz**. The Federal Deposit Insurance Corp. relies on CRA Analyzer from Tactician Corp. for its data...

2/6,K/23 (Item 4 from file: 625)

0177865
Even Regulators Using CRA Wiz **Software**
March 14, 1996

Even Regulators Using CRA Wiz **Software**

TEXT:
CRA Wiz is emerging as the software of choice for bankers and regulators interested in Community Reinvestment...

...to PCI Services partner James Daley.
The Office of the Comptroller of the Currency liked **CRA Wiz** so much it
sent the software to 220 national bank examiners last year.
Richard Freer, the OCC's director of compliance management, said **CRA Wiz**
was "the most complete product we saw. None of the others came close to offering...

...data they did."
The Federal Reserve System and Office of Thrift Supervision are considering giving **CRA Wiz** to their examiners.
Susan Rice, senior vice president and CRA chief at Natwest Bank, a...

...asset Natwest Bancorp, Jersey City, said she
tried out a half-dozen products before selecting **CRA Wiz**.
"It does everything that we were trying to have built for us," Ms. Rice said. "It's all there. It's really a good product."
Ms. Rice said she discovered **CRA Wiz** last year at a fair-lending conference. After a three-minute demonstration, she said, she...

...hooked.
The bank rejected competing products, including a proposal to design a system internally, because **CRA Wiz** could be customized to meet its needs,
she said.
The OCC's endorsement makes the...

...the U.S. retail
subsidiary to Fleet Financial Corp.
PCI's Mr. Daley said customizing **CRA Wiz** can help banks discover faults

in their lending practices. But it also gives examiners many...
...York State Banking
Department, and the Department of Justice are among the more than 100 **CRA Wiz** users.

2/6,K/24 (Item 5 from file: 625)

0166198
In brief: OCC's Field Examiners to Use CRA Software
February 1, 1996

TEXT:
...Comptroller's office are getting some
technological help.
The national bank regulators will be using **CRA Wiz** , a mapping software
product from Boston-based PCI Services, in their fair-lending and Community ...

...six regions, and
in the agency's multinational division.
"The OCC's decision to use **CRA Wiz** followed a rigorous and intensive evaluation," said James Daley, a principal at PCI Services. "We...

2/6,K/25 (Item 6 from file: 625)

0159425
Money Masters: Executive Briefing
June 26, 1995

TEXT:
...are entrusting their Community Reinvestment Act
compliance to a new software product. The product, dubbed **CRA Wiz** , lets users analyze their own lending patterns - and their competitors'.
June 22
19155
In a...

2/6,K/26 (Item 7 from file: 625)

0159336
*** CRA Software Wins Raves for Speed, Flexibility**
June 22, 1995

TEXT:
...Act
compliance to a new software product.
Less than a year old, the product, called **CRA Wiz** , this month got its
biggest public showing to date at the American Bankers Association's...

...It was a hometown crowd for PCI Services, the Boston-based consulting firm that developed **CRA Wiz** . The versatile software lets users analyze their own lending patterns as well their competitors'. Banks...

...can do just about anything you want in terms of analyzing the data."
PCI introduced **CRA Wiz** nine months ago, after making a name for itself
providing geoanalysis for banks. The company...

...banks have deeper pockets," Mr. Festekjian added.
The average customer pays $12,000 for the **CRA Wiz** software, which

...includes data for the whole country. As interstate branching approaches, **CRA Wiz** can help banks analyze market opportunities and check out potential
competition.
While most customers buy...

...for software covering one state.
Although the CRA compliance market is crowded, Mr. Festekjian said **CRA Wiz** is faster and easier to use than its competitors.
Chemical's Mr. Spariosu said he...

...do the same tasks.
"The speed is phenomenal," Mr. Spariosu said. For example, he said **CRA Wiz** can analyze all of Chemical's loans in Nassau and Suffolk counties on New York...

...by race, applications in certain census tracts, or outstanding loans by county.
Besides spot-checking, **CRA Wiz** also can monitor a bank's performance over time. Chemical is using the product to...

2/6,K/27 (Item 8 from file: 625)

0077349
New Software Brings HMDA Data to Desktop
December 19, 1994

TEXT:
...now on personal computers.
For the first time, PCI Services Inc. of Boston has made **CRA Wiz** available so that lenders who don't have program experience don't
have to leave...

...month," he said.
The reason why one doesn't need any program experience is because **CRA Wiz** is in Windows format. "All you need to do is turn on a switch on...

...have it answered in real time-on site during an examination."
PCI Services is offering **CRA Wiz** at a special price if the base software plus all the demographic data is purchased...

2/6,K/28 (Item 1 from file: 636)

02613510
New Software Brings HMDA Data to Desktop
PUBLICATION DATE: December 19, 1994 WORD COUNT: 454

...now on personal computers.

For the first time, PCI Services Inc. of Boston has made **CRA Wiz** available so that lenders who don't have program experience don't have to leave...

...month," he said.

The reason why one doesn't need any program experience is because **CRA Wiz** is in Windows format. "All you need to do is turn on a switch on...

...have it answered in real time-on site during an examination."

PCI Services is offering **CRA Wiz** at a special price if the base software plus all the demographic data is purchased...

Set	Items	Description
S1	179	FAIR(W)LENDING(W)LAW
S2	569201	COMPLIANCE
S3	31	S1(3W)S2
S4	25	RD (unique items)
S5	4	S2(3W)S1
S6	3	RD (unique items)

?t 4/6/all

4/6/1 (Item 1 from file: 9)
01946303 (USE FORMAT 7 OR 9 FOR FULLTEXT)
Company agreements: Tactician Financial
September 1997
WORD COUNT: 53

4/6/2 (Item 1 from file: 15)
01427424 00-78411
Developments in fair lending laws
May 1997

4/6/3 (Item 1 from file: 20)
02145461 (USE FORMAT 7 OR 9 FOR FULLTEXT)
Community Reinvestment Act/Fair Lending Colloquium Identifies Keys for Profitable Low Income and Minority Lending Business
July 08, 1998
WORD COUNT: 683

4/6/4 (Item 1 from file: 148)
08000261 SUPPLIER NUMBER: 17103608 (USE FORMAT 7 OR 9 FOR FULL TEXT)
CRA software wins raves for speed, flexibility.(PCI Services CRA Wiz Community Reinvestment Act compliance software)
June 22, 1995
WORD COUNT: 658 LINE COUNT: 00056

4/6/5 (Item 1 from file: 553)
03773839 H.W. WILSON RECORD NUMBER: BWBA98023839 (USE FORMAT 7 FOR FULLTEXT)
Order approving the merger of bank holding companies.
Feb. '98
WORD COUNT: 15870

4/6/6 (Item 2 from file: 553)
03753459 H.W. WILSON RECORD NUMBER: BWBA98003459 (USE FORMAT 7 FOR FULLTEXT)
Order approving the acquisition of a bank holding company.
Dec. '97
WORD COUNT: 8917

4/6/7 (Item 3 from file: 553)
03593293 H.W. WILSON RECORD NUMBER: BWBA97093293 (USE FORMAT 7 FOR FULLTEXT)
Order approving notice to engage in underwriting and dealing in all types of debt and equity securities on a limited basis and certain other nonbanking activities.
Nov. '97
WORD COUNT: 3270

4/6/8 (Item 4 from file: 553)
03593272 H.W. WILSON RECORD NUMBER: BWBA97093272 (USE FORMAT 7 FOR FULLTEXT)
Order approving the acquisition of a bank.

Nov. '97
WORD COUNT: 4587

4/6/9 (Item 5 from file: 553)
03565421 H.W. WILSON RECORD NUMBER: BWBA97065421 (USE FORMAT 7 FOR FULLTEXT)
Order approving the acquisition of a savings association.
Aug. '97
WORD COUNT: 6600

4/6/10 (Item 6 from file: 553)
03326722 H.W. WILSON RECORD NUMBER: BWBA96076722 (USE FORMAT 7 FOR FULLTEXT)
Order approving the acquisition of a bank.
Oct. '96
WORD COUNT: 5515

4/6/11 (Item 7 from file: 553)
03303796 H.W. WILSON RECORD NUMBER: BWBA96053796 (USE FORMAT 7 FOR FULLTEXT)
Order approving a notice to acquire certain nonbanking assets.
July '96
WORD COUNT: 3126

4/6/12 (Item 1 from file: 608)
00161215 Story Number: 14942 (USE FORMAT 7 OR 9 FOR FULLTEXT)
NATIONAL STUDY CHARGES DISCRIMINATION AT FIVE ST. LOUIS-AREA BANKS
August 13, 1993
WORD COUNT: 683

4/6/13 (Item 1 from file: 609)
2053291 14942
NATIONAL STUDY CHARGES DISCRIMINATION AT FIVE ST. LOUIS-AREA BANKS
DATE: August 13, 1993

4/6/14 (Item 1 from file: 625)
0186553
Fed Lets KeyCorp Expand Despite Branch Closings
August 12, 1996

4/6/15 (Item 2 from file: 625)
0071423
Newman May Cut Robinsons Job While Others Stalk Lending Bigots: Ricki Tigert
December 20, 1993

4/6/16 (Item 3 from file: 625)
0071195
Ludwig Assumes Lead Role In Push for Tough Lending Rules
May 24, 1993

4/6/17 (Item 4 from file: 625)
0070167
Key Players Shape Policy Debates: Will Ricki Be Tiger(t) FDIC Sorely Needs?
December 20, 1993

4/6/18 (Item 5 from file: 625)
0066560

1994: Transition Year For a Troubled Industry: Ricki Tigert
December 20, 1993

4/6/19 (Item 1 from file: 635)
0428127 93-80361
Five lenders here accused of bias
PUBL DATE: 930813

4/6/20 (Item 1 from file: 636)
03300807
Fed Lets KeyCorp Expand Despite Branch Closings
PUBLICATION DATE: August 12, 1996 WORD COUNT: 795

4/6/21 (Item 2 from file: 636)
02196228
Newman May Cut Robinsons Job While Others Stalk Lending Bigots--Ricki Tigert
PUBLICATION DATE: December 20, 1993 WORD COUNT: 143

4/6/22 (Item 3 from file: 636)
02195279
Key Players Shape Policy Debates--Will Ricki Be Tiger(t) FDIC Sorely Needs?
PUBLICATION DATE: December 20, 1993 WORD COUNT: 142

4/6/23 (Item 4 from file: 636)
02194910
1994: Transition Year For a Troubled Industry--Ricki Tigert
PUBLICATION DATE: December 20, 1993 WORD COUNT: 207

4/6/24 (Item 5 from file: 636)
01887230
Ludwig Assumes Lead Role In Push for Tough Lending Rules
PUBLICATION DATE: May 24, 1993 WORD COUNT: 540

4/6/25 (Item 1 from file: 655)
00619339
Merger
IN REVERSAL, FED OKs SHAWMUT MERGER
AFTER FAIR LENDING IMPROVEMENTS FOUND
May 02, 1994
LINE COUNT: 75

4/6,K/4 (Item 1 from file: 148)

08000261 SUPPLIER NUMBER: 17103608 (USE FORMAT 7 OR 9 FOR FULL TEXT)
CRA software wins raves for speed, flexibility.(PCI Services CRA Wiz Community Reinvestment Act compliance software)
June 22, 1995
WORD COUNT: 658 LINE COUNT: 00056

...ABSTRACT: comply with Community Reinvestment Act requirements by allowing analysis of market penetration, lending patterns, and **fair - lending law compliance** for themselves and their competitors. CRA Wiz has been on the market since September of...

4/6,K/12 (Item 1 from file: 608)

00161215 Story Number: 14942 (USE FORMAT 7 OR 9 FOR FULLTEXT)
NATIONAL STUDY CHARGES DISCRIMINATION AT FIVE ST. LOUIS-AREA BANKS
August 13, 1993
WORD COUNT: 683

...TEXT: said: "We have
confidence that our lending practices are non-discriminatory as we
understand
the **fair lending law** ."
Security Financial **compliance** officer Joyce Long said the company
had not
discriminated. "We will lend to anybody in...

4/6,K/16 (Item 3 from file: 625)

0071195
Ludwig Assumes Lead Role In Push for Tough Lending Rules
May 24, 1993

TEXT:
...Federal Trade Commission and the Department of Justice,
both of which have a hand in **fair lending law compliance** , are also
likely
to become more involved.
This shift in power raises the question of...

4/6,K/17 (Item 4 from file: 625)

0070167
Key Players Shape Policy Debates: Will Ricki Be Tiger(t) FDIC Sorely Needs?
December 20, 1993

TEXT:
... the legislative wars of 1994 without appearing to be obstructionist.
Other
hazards also lurk, including **fair - lending law compliance** ,
downsizing of the
agency, including its vast legal staff and high budget, seamless acceptance
of...

4/6,K/19 (Item 1 from file: 635)

0428127 93-80361
Five lenders here accused of bias

PUBL DATE: 930813

TEXT:
... said: "We have confidence that our lending practices are non-discriminatory as we understand the **fair lending law**."

Security Financial **compliance** officer Joyce Long said the company had not discriminated. "We will lend to anybody in...

4/6,K/23 (Item 4 from file: 636)

02194910
1994: Transition Year For a Troubled Industry--Ricki Tigert
PUBLICATION DATE: December 20, 1993 WORD COUNT: 207

... the legislative wars of 1994 without appearing to be obstructionist. Other hazards also lurk, including **fair lending law compliance**, downsizing of the agency, including its vast legal staff and high budget, seamless acceptance of...

Set	Items	Description
S1	179	FAIR(W)LENDING(W)LAW
S2	569193	COMPLIANCE
S3	4	S2(3W)S1
S4	3	RD (unique items)

?t 4/6/all

4/6/1 (Item 1 from file: 111)
03997072 Supplier Number: 14294451
Shawmut's plan for acquisition rejected by Fed; concern about compliance **with** fair- lending law **is cited in board's vote. (Shawmut National Corp. purchase of New Dartmouth Bank)**
Nov 16, 1993

4/6/2 (Item 1 from file: 553)
03593272 H.W. WILSON RECORD NUMBER: BWBA97093272 (USE FORMAT 7 FOR FULLTEXT)
Order approving the acquisition of a bank.
Nov. '97
WORD COUNT: 4587

4/6/3 (Item 1 from file: 655)
00741409
Fair Lending
NEW CRA RULES WILL TRANSFER MOST OF COMPLIANCE BURDEN TO REGULATORS
April 28, 1995
LINE COUNT: 172

Set	Items	Description
S1	0	CRA(W)HDMA(W)REPORTER
S2	10	CRA(W)HMDA(W)REPORTER
S3	1608953	REGULATOR?
S4	8	S2 AND S3
S5	7	RD (unique items)
S6	905	TFR
S7	18368	ELECTRONIC(2N)FILING
S8	14	S6 AND S7
S9	9	RD (unique items)
S10	7	S9 AND S3
S11	299562	ALERT
S12	108051	FDIC
S13	1109142	LEND?
S14	363	S11 AND S12 AND S13
S15	278	S3 AND S14
S16	191	RD (unique items)
S17	147	S16 AND PY<1997
S18	136	S17 AND PY<1996
S19	89	S18 AND REPORT? NOT REPORTER
S20	89	S19 AND S3
S21	15	CRA AND S20

?t 21/6/all

21/6/1 (Item 1 from file: 15)
00929564 95-78956
USE FORMAT 9 FOR FULL TEXT
Measuring commitment
Sep 1994

21/6/2 (Item 2 from file: 15)
00904242 95-53634
USE FORMAT 9 FOR FULL TEXT
United States
Jul 1994

21/6/3 (Item 3 from file: 15)
00843577 94-92969
USE FORMAT 9 FOR FULL TEXT
Justice opens fire on fair- lending **issues**
Mar 1994

21/6/4 (Item 4 from file: 15)
00747833 93-97054
USE FORMAT 9 FOR FULL TEXT
Washington Post slams fair lending **record**
Aug 1993

21/6/5 (Item 5 from file: 15)
00656926 93-06147
USE FORMAT 9 FOR FULL TEXT
The Fire Burning for Bank Reform Would Heat Up Bush's Second Term
Oct 1992

21/6/6 (Item 1 from file: 148)
07664570 SUPPLIER NUMBER: 16117721 (USE FORMAT 7 OR 9 FOR FULL TEXT)
More guidance issued on real-estate appraisals. (joint guidelines by banking regulatory **agencies) (Brief Article)**
Jan, 1995
WORD COUNT: 1907 LINE COUNT: 00153

21/6/7 (Item 2 from file: 148)
07586613 SUPPLIER NUMBER: 15762493 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Examiners gain strength in new CRA **proposal. (bank examiners, Community Reinvestment Act guidelines)**
Sept 26, 1994
WORD COUNT: 752 LINE COUNT: 00059

21/6/8 (Item 3 from file: 148)
07583724 SUPPLIER NUMBER: 15933639 (USE FORMAT 7 OR 9 FOR FULL TEXT)
OCC reviews sales materials. (Office of the Comptroller of the Currency, bank marketing and advertising of mutual funds and annuities is misleading) (Brief Article)
Nov, 1994
WORD COUNT: 1535 LINE COUNT: 00125

21/6/9 (Item 4 from file: 148)
06495885 SUPPLIER NUMBER: 14106876 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Coping with mounting compliance costs. (includes related article)
March, 1993
WORD COUNT: 3496 LINE COUNT: 00284

21/6/10 (Item 5 from file: 148)
06209401 SUPPLIER NUMBER: 13665114 (USE FORMAT 7 OR 9 FOR FULL TEXT)
The fire burning for bank reform would heat up Bush's second term. (includes related article) (Cover Story)
Oct, 1992
WORD COUNT: 2909 LINE COUNT: 00236

21/6/11 (Item 1 from file: 625)
0075732
Examiners Gain Strength In New CRA **Proposal**
September 26, 1994

21/6/12 (Item 1 from file: 790)

00617134
HOUSE PASSES BUDGET BILL, 227-203.
DATE : October 26, 1995
DOC TYPE: Congressional Record
AVAILABILITY: Full Text length is 49014 lines

21/6/13 (Item 2 from file: 790)

00614315
FULL TEXT: TREASURY'S SUMMARY REPORT **ON PRESIDENT'S** REGULATORY **REFORM INITIATIVES.**
DATE : June 15, 1995
DOC TYPE: Treasury Reports
AVAILABILITY: Full Text length is 4825 lines

21/6/14 (Item 1 from file: 792)

00606923
HOUSE PASSES BUDGET BILL, 227-203.
DATE : October 26, 1995
DOC TYPE: Congressional Record
AVAILABILITY: Full Text length is 49013 lines

21/6/15 (Item 2 from file: 792)

00605944

FULL TEXT: TREASURY'S SUMMARY REPORT **ON PRESIDENT'S** REGULATORY **REFORM INITIATIVES.**

DATE : June 15, 1995

DOC TYPE: Treasury Reports

AVAILABILITY: Full Text length is 4825 lines

```
Set     Items   Description
S1          0   CRA(W)HDMA(W)REPORTER
S2         10   CRA(W)HMDA(W)REPORTER
S3    1608953   REGULATOR?
S4          8   S2 AND S3
S5          7   RD (unique items)
S6        905   TFR
S7      18368   ELECTRONIC(2N)FILING
S8         14   S6 AND S7
S9          9   RD (unique items)
S10         7   S9 AND S3
?t 10/6,k/all
```

10/6,K/1 (Item 1 from file: 15)

01516245 01-67233
USE FORMAT 9 FOR FULL TEXT
OTS upgrades reporting software
Sep 1997

...ABSTRACT: of Thrift Supervision will provide its regulated institutions with sophisticated new software to facilitate the **electronic filing** of all **regulatory** reports, including the Thrift Financial Report. The software will be supplied at no cost to...
...TEXT: of Thrift Supervision will provide its regulated institutions with sophisticated new software to facilitate the **electronic filing** of all **regulatory** reports, including the Thrift Financial Report **TFR**).

The software will be supplied at no cost to OTS-regulated institutions. The agency has...

... the new software "provides greater efficiencies in financial reporting, benefiting both the industry and the **regulator** ."

The action is also supposed to complement other innovations the OTS is implementing in its **regulatory** oversight, including advanced electronic examination that will soon be available (see related article, "Examinations At...

...advances, just as the institutions we regulate are," Downey adds.

In addition to the quarterly **TFR** , the new package will facilitate the preparation, editing and transmission of the quarterly Schedule CMR...

... have been added that will give the institution key operational information and ratios from its **TFR** . The reports reflect balances and dollar and percentage changes from the statement of condition, and...

10/6,K/2 (Item 2 from file: 15)

01477203 01-28191
USE FORMAT 9 FOR FULL TEXT
Examinations at a distance
Jul 1997

...ABSTRACT: federal and state banking agencies try to stretch their resources and ease the industry's **regulatory** burden with a generous infusion of high-tech support. While more pre-exam submissions of...
...TEXT: PORTFOLIOS, RISK EXPOSURE AND OTHER KEY CONCERNS OFFER GREATER EFFICIENCIES AS FEDERAL AND STATE GAN **REGULATORS** REACH OUT WITH... D

By increasingly keeping their distance, bank examiners are more efficiently keeping...

... federal and state banking agencies try to stretch their resources and

ease the industry's **regulatory** burden with a generous infusion of high-tech support.

While there's no talk about...

... making the supervisory process less burdensome for banks and more effective and efficient for bank **regulators** ," Ricki Helfer told the 1997 annual meeting of the Conference of State Bank Supervisors in...

... efforts to leverage technology are evident in other new or emerging advancements such as the **electronic filing** of Call Reports, the development of an automated format for evaluating bank risk management programs... who may want to review Thrift Financial Reports have the advantage of working with electronic **TFR** filings. For the moment, at least, the OTS remains the only banking agency that receives all financial condition report filings electronically.

The move to electronic **TFR** submissions in 1993 wasn't all that surprising in that the OTS' predecessor agency, the...

...of concern that we uncovered during our examinations."

Measuring Interest Rate Risk

Besides their quarterly **TFR** filings, OTS-regulated institutions submit Consolidated Maturity/Rate schedules to the agency on diskettes every...to meet the FFIEC's filing requirement.

At the request of institutions lacking the necessary **electronic filing** capabilities, the FFIEC pushed back an originally scheduled three-phase transition away from paper-based...

... two different ways to do things," said Robert A Richard, CSBS senior vice president of **regulatory** affairs.

Efficiency and effectiveness must "rise to the top" in the current environment, he said...

10/6,K/3 (Item 1 from file: 570)

01036264 SUPPLIER NUMBER: 01036434
Examinations at a Distance
July, 1997
FULL TEXT AVAILABLE IN FORMAT 9 WORD COUNT: 3114

... LOAN PORTFOLIOS, RISK EXPOSURE AND OTHER KEY CONCERNS OFFER GREATER EFFICIENCIES AS FEDERAL AND STATE **REGULATORS** REACH OUT WITH ...
WILLIAM T. MARSHALL
By increasingly keeping their distance, bank examiners are more...

... federal and state banking agencies try to stretch their resources and ease the industry's **regulatory** burden with a generous infusion of high-tech support.
While there's no talk about...

... making the supervisory process less burdensome for banks and more effective and efficient for bank **regulators** ,' Ricki Heifer told the 1997 annual meeting of the Conference of State Bank Supervisors in...

... efforts to leverage technology are evident in other new or emerging advancements such as the **electronic filing** of Call Reports, the development of an automated format for evaluating bank risk management programs... who may want to review Thrift Financial Reports have the advantage of working with electronic **TFR** filings. For the moment, at least, the OTS remains the only banking agency that receives all financial condition report filings electronically.

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... of directors and matters of concern that we uncovered during our examinations.'
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... two different ways to do things,' said Robert A. Richard, CSBS senior vice president of **regulatory** affairs.
Efficiency and effectiveness must 'rise to the top' in the current environment, he said...

10/6,K/4 (Item 1 from file: 625)

0202850
Thrifts To Get Reporting Software
July 28, 1997

TEXT:
In 1998 the OTS will begin providing thrifts with sophisticated new software to facilitate **electronic filing** of all **regulatory** reports they make to the OTS including the Thrift Financial Report.
The free software, is...

...the coming advanced electronic examination that will provide greater efficiencies for both the industry and **regulators** , said John Downey executive director of supervision.
In addition to the quarterly **TFR** , the software will facilitate the preparation, edit and transmission of the quarterly Schedule CMR used...

...added to the software that will give thrifts key operational information and ratios from its **TFR** , said the OTS. The reports reflect balances and dollar percentage changes from the statement of...

10/6,K/5 (Item 1 from file: 636)

03747914
Thrifts To Get Reporting Software
PUBLICATION DATE: July 28, 1997 WORD COUNT: 209

In 1998 the OTS will begin providing thrifts with sophisticated new software to facilitate **electronic filing** of all **regulatory** reports they make to the OTS including the Thrift Financial Report.

The free software, is...

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...added to the software that will give thrifts key operational information and ratios from its **TFR** , said the OTS. The reports reflect balances and

dollar percentage changes from the statement of...

INDUSTRY: Banking ; Government and **Regulatory**

10/6,K/6 (Item 1 from file: 655)

01050972
Savings Associations
OTS ANNOUNCES PLANS FOR NEW SOFTWARE;
FILING PROGRAM TO OFFER FINANCIAL 'SNAP SHOT'
July 24, 1997
LINE COUNT: 43

... year, the Office of Thrift Supervision will give thrifts a new software program to allow **electronic filing** of all **regulatory** reports they submit to the agency, the OTS announced July 23.

The software, which will...

...Retsinas.

The software upgrade continues an OTS program began in 1992, when the federal thrift **regulator** announced that it would no longer accept paper filings.

The OTS said the new program...
...John Downey, OTS executive director of supervision.

In addition to the quarterly Thrift Financial Report (**TFR**), the new program will aid in the preparation, editing and transmission of the quarterly Schedule...

... several new features, including four specialized reports providing key operational information and ratios from its **TFR** .

The report reflects balances and dollar and percentage changes from the statement of condition, statement...

10/6,K/7 (Item 2 from file: 655)

01050954
Financial Institutions
OTS ANNOUNCES PLANS FOR NEW SOFTWARE;
PROGRAM TO OFFER ELECTRONIC FILING **OF REPORTS**
July 24, 1997
LINE COUNT: 43

OTS ANNOUNCES PLANS FOR NEW SOFTWARE;
PROGRAM TO OFFER ELECTRONIC FILING **OF REPORTS**
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... several new features, including four specialized reports providing key operational information and ratios from its **TFR** .

The report reflects balances and dollar and percentage changes from the statement of condition, statement...

14/6,K/1 (Item 1 from file: 9)

01064570
New Titus Program Eases Compliance with HMDA and CRA
October 24, 1994

(CRA- HMDA Reporter **simplifies compliance)**

ABSTRACT:
The **CRA -HMDA Reporter** , a new computer program from Titus Compliance Software Inc (Orlando FL), simplifies compliance with Home...

...Reinvestment Act requirements. The program works in the Microsoft Windows environment and detects errors that **regulators** will look for and then helps to correct them. In addition, it produces charts and...

14/6,K/2 (Item 1 from file: 15)

00980989 96-30382
USE FORMAT 9 FOR FULL TEXT
Compliance vendors do battle in newly competitive market
Feb 1995

ABSTRACT: Facing a swiftly changing, competitive arena, **regulatory** compliance software vendors are becoming increasingly innovative in their approaches to the market. To adapt...
TEXT: **REGULATORY** COMPLIANCE SOFTWARE vendors are becoming increasingly innovative in their approaches to this market, itself a...

...basic functionality. And that could mean finding software that does just about everything associated with **regulatory** compliance.

"We disagree with 'a different product for every regulation,'" says CFI's Chapman. "You...

... is Orlando, FL-based Titus Compliance Software, Inc., which arrived in June with Windows-based **CRA -HMDA Reporter** . Including geocoding at the MSA level, HMDA reporting and tabular reports with graphing, the product...

14/6,K/3 (Item 1 from file: 16)

05500426
Compliance Vendors Do Battle In Newly Competitive Market
February 1995
FULL TEXT AVAILABLE IN FORMAT 7 OR 9 WORD COUNT: 949

Cheryl J. Prince
REGULATORY COMPLIANCE SOFTWARE vendors are becoming increasingly innovative in their approaches to this market, itself a...
Cheryl J. Prince
REGULATORY COMPLIANCE SOFTWARE vendors are becoming increasingly innovative in their approaches to this market, itself a...

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'We disagree with 'a different product for every regulation,' ' says CFI's Chapman. 'You...

...is Orlando, FL-based Titus Compliance Software, Inc., which arrived in June with Windows-based **CRA -HMDA Reporter** . Including geocoding at the MSA level, HMDA reporting and tabular reports with graphing, the product...

14/6,K/4 (Item 1 from file: 148)
DIALOG(R)File 148:(c) 1998 Info Access Co. All rts. reserv.

07583737 SUPPLIER NUMBER: 15933665 (USE FORMAT 7 OR 9 FOR FULL TEXT)
Teller system electronically disburses checks, money orders. (Integrated Payment Systems introduces Teller Connector)
Nov, 1994
WORD COUNT: 1299 LINE COUNT: 00113

... lenders to seek out easy-to-use solutions to handle compliance issues.
The release of **CRA -HMDA Reporter** , a fuil-featured computer program that generates the required HMDA reports and analyzes a lender...

...Compliance Software, Inc.
The program, which operates in a Microsoft Windows environment, detects errors that **regulators** commonly look for and gives a mortgage lender the ability to correct them before examination...

14/6,K/5 (Item 1 from file: 268)
DIALOG(R)File 268:(c) 1998 UMI. All rts. reserv.

00251219
Lending compliance software abounds
Nov 9, 1994

...ABSTRACT: and practices and improve their ability to meet the financial needs of their communities before **regulators** enter the picture. Another new offering is **CRA -HMDA Reporter** from Titus Compliance Software Inc. The Reporter detects errors that **regulators** commonly look for, like validity and quality errors.

14/6,K/6 (Item 1 from file: 625)
DIALOG(R)File 625:(c) 1998 American Banker. All rts. reserv.

0151707
NEW PRODUCTS: New Titus Program Eases Compliance with HMDA and CRA
October 24, 1994

TEXT:
...Inc., simplifies
compliance with Home Mortgage Disclosure Act and Community Reinvestment Act requirements.
Called the **CRA - HMDA Reporter** , the program works in the Microsoft
Windows environment. It detects errors that **regulators** look for and helps to correct them. It also produces charts and tabular reports that...

14/6,K/7 (Item 1 from file: 636)
DIALOG(R)File 636:(c) 1998 Information Access Co. All rts. reserv.

02697734
CRA SPECIALIST
PUBLICATION DATE: March 13, 1995 WORD COUNT: 281

Whether the Community Reinvestment Act (CRA) is considered a **regulatory** burden or good business, financial institutions always are in need of sound CRA experts to...

...285-6000

Provider of mapping software.

NEWTREND Orlando, Fla.

407/297-0870

Various products for **regulatory** compliance.

STRATEGIC MAPPING INC. Santa Clara, Calif.

David Radoff, 408/970-9600
Desktop mapping firm...

...to define and analyze lending communities.

TITUS COMPLIANCE SOFTWARE, INC. Orlando, Fla.

407/894-9099

CRA - **HMDA** **Reporter** software detects compliance errors **regulators** look for and helps to correct them.

...

11/9/5 (Item 2 from File: 268)
DIALOG(R)File 268:Banking Information Source

00251219
Lending compliance software abounds
Burger, Carol Anne
Credit Union Times, v5, n45, p17, Nov 9, 1994
DOCUMENT TYPE: Journal Article ARTICLE TYPE: News ISSN: 1058-7764
JOURNAL CODE: BCUT LANGUAGE: English RECORD TYPE: Abstract
AVAILABILITY: Contact UMI for article reprint (order no. 20232.00).
Restrictions may apply.

ABSTRACT: The Justice Department's continuing emphasis on attacking discrimination in mortgage lending has led to renewed interest in meeting compliance requirements. Credit union vendors have developed software to make compliance easier. CFI Pro Services' new product, **Pro Active** , is designed to help lenders detect and eliminate unfair lending patterns and practices and improve their ability to meet the financial needs of their communities before regulators enter the picture. Another new offering is CRA-**HMDA** Reporter from Titus Compliance Software Inc. The Reporter detects errors that regulators commonly look for, like validity and quality errors.

COMPANY NAMES:
CFI Proservices Inc
Centrax
Titus Compliance Software Inc
CLASSIFICATION: 8120 (CN=Retail banking); 5240 (CN=Software & systems); 9120 (CN=Product specific); 9190 (CN=United States)
DESCRIPTORS: Credit unions; Fair lending; Bank compliance; Software packages; Manycompanies; Manyproducts
GEOGRAPHIC NAMES: US

11/6,K/1 **(Item 1 from file: 15)**

01068514 97-17908
USE FORMAT 9 FOR FULL TEXT
CRA reform to spur tech investments
Jul 1995

...TEXT: GeoPublisher will be introduced in a GUI version.

CFI ProServices combines various regulatory components into **Pro Active** , a software program which runs on stand-alone PCs in a Windows environment and helps banks meet fair lending, **HMDA** and CRA compliance requirements. Users employ icons and pull-down menus to manually enter or...

11/6,K/2 **(Item 1 from file: 148)**

07284075 SUPPLIER NUMBER: 15285375 (USE FORMAT 7 OR 9 FOR FULL TEXT)
CFI PROSERVICES ANNOUNCES A NEW SOFTWARE PRODUCT THAT SIMPLIFIES FAIR LENDING
June 1, 1994
WORD COUNT: 1006 LINE COUNT: 00087

... improve their evaluation of loan applications and to tap new markets."

The July release of **Pro Active** will collect, analyze, and map loan applicant data required by the Home Mortgage Disclosure Act (**HMDA**), as well as community demographic data. Using sophisticated statistical analysis, the software will allow lenders to self-test for discriminatory lending patterns and practices.

Additionally, **Pro Active** will generate **HMDA** reports in the electronic formats required by federal agencies, and generate at any time Aggregate **HMDA** /MSA Reports and Disclosure Statements that are currently provided once a year by the government to detect unfair lending practices. **Pro Active** uses the latest geocoding and mapping technology to create powerful visual images that show an...

11/6,K/3 **(Item 2 from file: 148)**

06513074 SUPPLIER NUMBER: 15151450 (USE FORMAT 7 OR 9 FOR FULL TEXT)
What do we know about racial discrimination in mortgage markets?
Summer, 1993
WORD COUNT: 7996 LINE COUNT: 00652

... underwriting criteria, and in government-insured mortgage programs. The mortgage lending disparities revealed in current **HMDA** data, in mortgage lending discrimination lawsuits, in the pilot mortgage lending testing programs, and in...

...article provides a context for why the industry must become more self-aware and more **pro -active** in remedying its shortcomings and why regulators must become more effective in carrying out their...

11/6,K/4 **(Item 1 from file: 268)**

00314833 (USE FORMAT 7 FOR FULLTEXT)
Compliance help
Jul 1997
WORD COUNT: 01088

... FAIRNESS MAPPED
For help with CRA and fair lending compliance analysis, CFI

ProServices Inc. offers **Pro Active** , an integrated, Windows-based package that automatically creates the electronic **HMDA** file regulators expect.

The software marries bank loan data with sophisticated geocoding capabilities-standardizing addresses...

11/6,K/5 (Item 2 from file: 268)

00251219
Lending compliance software abounds
Nov 9, 1994

...ABSTRACT: Credit union vendors have developed software to make compliance easier. CFI Pro Services' new product, **Pro Active** , is designed to help lenders detect and eliminate unfair lending patterns and practices and improve...

...financial needs of their communities before regulators enter the picture. Another new offering is CRA-**HMDA** Reporter from Titus Compliance Software Inc. The Reporter detects errors that regulators commonly look for...

11/6,K/6 (Item 1 from file: 635)

0499634 94-53733
CFI ProServices announces a new software product that simplifies fair lending
PUBL DATE: 940601

TEXT:

... improve their evaluation of loan applications and to tap new markets."

The July release of **Pro Active** will collect, analyze, and map loan applicant data required by the Home Mortgage Disclosure Act (**HMDA**), as well as community demographic data. Using sophisticated statistical analysis, the software will allow lenders to self-test for discriminatory lending patterns and practices.

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11/6,K/7 (Item 2 from file: 635)

0457383 94-10435
Gaining on the gap
PUBL DATE: 931205

TEXT:

...hurts -- in their pocketbooks," Barefoot said.

Analysts say that because the administration has taken a **pro -active** stance on fair-lending issues, laws such as Home Mortgage Disclosure Act (**HMDA**) are getting some "real teeth" behind them.

HMDA, which became law in 1975 to track...

1/9/1 (Item 1 from file: 256)
DIALOG(R)File 256:SoftBase:Reviews,Companies&Prods.

00092437 DOCUMENT TYPE: Review

PRODUCT NAMES: Census Traks Plus (CTP) (621994); Sparta CRA (622028); CRA Wiz **(622001**

TITLE: Business Geographics Software for Banking: A Review...
AUTHOR: May, John
SOURCE: Business Geographics, v4 n6 p34(4) Jun 1996
ISSN: 1067-456X
HOMEPAGE: http://www.bg.geoplace.com

RECORD TYPE: Review
REVIEW TYPE: Product Comparison
GRADE: Product Comparison, No Rating

Three business geographics software packages for banking are reviewed and compared, Business Information Technologies' Census Traks Plus (CTP), Equifax National Decision Systems' Sparta CRA, and PCI Services' **CRA Wiz** (Wiz). The products, tested on a 486MHz Intel platform with 2MB RAM and Windows 3.1, provide substantial assistance to bankers doing Community Reinvestment Act (CRA) and Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) tasks. Sparta is geographic technology-centered and provides many business geographics analysis tools. CTP is database-driven, and Wiz provides bankers with flexible tools for analysis and reporting. Wiz has the largest feature set and best marks overall, with very good marks for data aggregation and disaggregation, address matching, statistical analysis, presentation and annotation tools, and intuitive design.

COMPANY NAME: Business Information Technologies Inc (620513); Equifax National Decision Systems (414573); PCI Services Inc (620521)
SPECIAL FEATURE: Charts Screen Layouts
DESCRIPTORS: Mapping; Geographical Information Systems; Banks; Windows; IBM PC & Compatibles; Financial Institutions
REVISION DATE: 961130

2/9/8 (Item 4 from file: 16)
DIALOG(R)File 16:IAC PROMT(R)

06077143
Even Regulators Using CRA Wiz **Software**
Mfrs CRA Wiz software; sftwr is becoming most popular for compliance w/ Community Reinvestmt Act
American Banker March 14, 1996 p. 9
ISSN: 0002-7561

CRA **Wiz** by PCI Services (Boston, MA) is becoming the most popular software among bankers and regulators concerned with Community Reinvestment Act compliance. The geocoding software enables users to chart and analyze data by demographic categories including race, sex, income, and neighborhood. The ability to work with data in this manner will help banks to accomplish lending to all parts of their communities. The software costs up to $30,000 for large national banks. A stripped-down version for community banks costs less than $5,000.

COMPANY:
PCI Services

PRODUCT: Financial, Acctg Software Pkgs (Micro) (7372411)
EVENT: Sales & Consumption (65)
COUNTRY: United States (1USA)

(FILE 'USPAT' ENTERED AT 16:57:19 ON 05 NOV 1998)

```
L1              0 S FAIR(W)LENDING(W)LAW?
L2              0 S FAIR(W)LENDING
L3             17 S FDIC
L4            297 S FRS
L5            541 S OCC
L6            574 S OTS
L7            299 S HMDA
L8            406 S CRA
L9              0 S L2 AND L3 AND L4 AND L5 AND L6 AND L7 AND L8
L10             0 S L8 AND L1
L11             0 S L7 AND L1
L12         50294 S LEND?
L13        288831 S REGULAT?
L14             0 S L11(P)L12
L15            95 S FINANCIAL REPORT?
L16            45 S TRASNMIT?
L17             0 S L16 AND L15
L18            12 S L15 AND L12
```

=>d 1-

1. 5,802,501, Sep. 1, 1998, System and methods for computing to support decomposing property into separately valued components; Richard A. Graff, 705/36, 31, 35, 38 [IMAGE AVAILABLE]

2. 5,742,775, Apr. 21, 1998, Method and apparatus of creating financial instrument and administering an adjustable rate loan system; Douglas L. King, 705/38 [IMAGE AVAILABLE]

3. 5,720,033, Feb. 17, 1998, Security platform and method using object oriented rules for computer-based systems using UNIX-line operating systems; Umesh Deo, 395/186, 187.01, 188.01; 706/47, 59; 707/103 [IMAGE AVAILABLE]

4. 5,644,727, Jul. 1, 1997, System for the operation and management of one or more financial accounts through the use of a digital communication and computation system for exchange, investment and borrowing; Charles Agee Atkins, 705/40 [IMAGE AVAILABLE]

5. 5,628,031, May 6, 1997, Personal digital assistant module implemented as a low-profile printed circuit assembly having a rigid substrate wherein IC devices are mounted within openings wholly between opposite plane surfaces of the rigid substrate; Dan Kikinis, et al., 395/893; 345/173; 361/749; 455/556 [IMAGE AVAILABLE]

6. 5,615,109, Mar. 25, 1997, Method of and system for generating feasible, profit maximizing requisition sets; Jeff Eder, 705/8, 35 [IMAGE AVAILABLE]

7. 5,307,262, Apr. 26, 1994, Patient data quality review method and system; Paul Y. Ertel, 705/2 [IMAGE AVAILABLE]

8. 4,953,085, Aug. 28, 1990, System for the operation of a financial account; Charles A. Atkins, 705/36; 364/918, 918.1, 918.3, DIG.2; 705/38 [IMAGE AVAILABLE]

9. 4,876,648, Oct. 24, 1989, System and method for implementing and

administering a mortga[illegible] plan; Clarke B. Lloyd, 705/38; [illegible]4/400; 705/35 [IMAGE AVAILABLE]

10. 4,799,156, Jan. 17, 1989, Interactive market management system; Eyal Shavit, et al., 705/26, 28, 39, 40, 42, 44 [IMAGE AVAILABLE]

11. 4,138,719, Feb. 6, 1979, Automatic writing systems and methods of word processing therefor; H. Wallace Swanstrom, et al., 395/117; 364/225.6, 225.7, 225.8, 234, 234.2, 235, 235.7, 236, 236.3, 236.4, 236.5, 236.6, 237, 237.2, 237.8, 238.3, 239, 239.3, 239.7, 240.1, 243, 244, 244.1, 244.6, 246, 246.3, 249.8, 252, 259, 259.4, 270, 273, DIG.1; 400/62, 83, 315 [IMAGE AVAILABLE]

12. 4,019,728, Apr. 26, 1977, Apparatus and shingled strip formed therefrom; Rafael A. Liclican, 270/58.1 [IMAGE AVAILABLE]

DIALOG(R)File 268:Banking Information Source

00268169 (USE FORMAT 7 FOR FULLTEXT)
Beyond de minimis: Twelve exceptions to appraisal regulations
Dorsey, Thomas A
Appraisal Journal, v63, n3, p310-318, Jul 1995 DOCUMENT TYPE: Journal Article LANGUAGE: English RECORD TYPE: Abstract Fulltext
AVAILABILITY: Contact UMI for article reprint (order no. 6524.00).
Restrictions may apply.
WORD COUNT: 04940

ABSTRACT: There are now twelve exceptions to the federal requirement to employ state certified or licensed appraisers. In each case, appraisals may be obtained; however, they are simply not required. The threshold exception alone seems to remove the need for an appraisal in a large number of transactions. Other exceptions include: 1. abundance of caution, 2. loans not secured by real estate, 3. liens for purposes other than the real estate's value, 4. real estate-secured business loans of $1 million or less, 5. leases, 6. renewals, 7. transactions involving real estate notes, 8. transactions insured or guaranteed, 9. transactions that meet the qualifications for sale, 10. transactions by regulated institutions as fiduciaries, and 11. federal financial and public policy interests, safety and soundness. In 1994, the regulatory agencies issued a document which clarified the requirements of the banking agencies. It is important that financial institutions be advised of the range and the importance of services that a state certified or licensed appraiser is best qualified to offer.
TEXT:
Over the past year, federal banking agencies(1) completed a series of changes to regulations of concern to real estate professionals. Appraisers focused on allowed exceptions, particularly the "threshold level." Few appraisers understood that the new regulations would include more than this single exception. In fact, there are now twelve exceptions to the requirement to employ state certified or licensed appraisers.

?t 6/k/1

6/K/1
DIALOG(R)File 268:

... response to the November 10, 1993, notice of supplemental information. The Office of Thrift Supervision (**OTS**) received a higher proportion of responses from appraisers (80%) than any other agency, but fewer...and each loan or interest in a loan, pooled loan, or real property interest met **OTS** regulatory requirements for appraisals a the time of origination.(23)

Previously, this exception required that...real property collateral that is consistent with safe and sound banking practices.(28)

Although the **FDIC** and the **OTS** issued guidelines several years ago pertaining to evaluations,(29) some confusion remained. On May 24...

...of limited appraisal reports.

BANKING AGENCY REQUIREMENTS

The Office of the Comptroller of the Currency (**OCC**), the Federal Deposit Insurance Corporation (**FDIC**), the **FRS** , and the **OTS** issued on October 27, 1994, the document, "Interagency Appraisal and Evaluation Guidelines." This document clarifies...the importance of the real estate appraisal in the underwriting process. As an example, the **OTS** includes in its regulations, "An appraisal is a critical component of the loan underwriting or**OCC**); Board of Governors of the Federal Reserve System (**FRS**); Federal Deposit Insurance Corporation (**FDIC**); and Office of Thrift Supervision (**OTS**), Department of the Treasury.

Perceived myths about the new CRA regulation

ABSTRACT: Myths concerning key aspects of the revised rule implementing the Community Reinvestment Act (**CRA**) include: 1. The assessment area described in the revised rule is essentially the same as...

... no need to change it. 2. Full compliance with fair lending laws guarantees a good **CRA** rating. 3. A financial institution must maintain a certain predetermined loan-to-deposit ration to achieve either a satisfactory or an outstanding **CRA** rating. 4. Small institutions do not receive credit for community development activities. 5. Wholesale and limited-purpose institutions are, for practical purposes, exempt from **CRA** or are at least subject to less stringent standards in **CRA** examinations than are traditional retail institutions. 6. As a result of the new **CRA** rule, institutions do not need to maintain their community outreach efforts or promote active involvement in community organizations by management and board members. 7. **CRA** requires institutions to extend types of credit that are generally unprofitable and/or excessively risky.
TEXT: Headnote:

IN SIDE:
* seven myths or misconceptions about the revised **CRA** ; reconsideration of core components for successful **CRA** performance; and insight into what the examiners will be looking for now.

This article addresses...

... misconceptions or myths concerning key aspects of the revised rule implementing the Community Reinvestment Act (**CRA**). The revised regulation was issued in May 1995 and will be fully effective on July...

... basic concerns of lenders seeking to enhance their understanding of and performance under the revised **CRA** regulation. This examination is intended to help stimulate further exploration and discussion of aspects of ...

... as the community delineation in the former rule. So why bother changing it?

The revised **CRA** regulation reforms the standards by which supervisory agencies evaluate compliance with **CRA** requirements. The final rule replaces **CRA** assessments that focus on process and paperwork with evaluations that measure actual performance by institutions...
...the board of directors annually reviewed and approved the delineation as a part of the **CRA** Statement.

The revised regulation was designed to reduce disputes over the appropriate area to be...s performance will be judged, but the real key to a lender's success in **CRA** depends upon understanding the components of, and acting effectively within, the institution's performance context.

Myth II

CRA is concerned primarily with lending to minorities. Full compliance with the fair lending laws guarantees a good **CRA** rating.

The myth that **CRA** is essentially a **fair lending law** continues to prevail. This misconception stems, at least in part, from the former rule, which...

... in the former rule often included an extensive analysis of the Home Mortgage Disclosure Act (**HMDA**) data of the institution, featuring minority and nonminority loan originations and denial rates. Evaluations based...
...even where no fair lending problems were present.

10/9/3 (Item 2 from file: 15)
DIALOG(R)File 15:ABI/INFORM(R)

00975175 96-24568
Cross-lender variation in home mortgage lending
Avery, Robert B; Beeson, Patricia E; Sniderman, Mark S
Economic Review (Federal Reserve Bank of Cleveland) v30n4 PP: 15-29
Fourth Quarter 1994 CODEN: ERFCBR ISSN: 0013-0281 JRNL CODE: ERC
DOC TYPE: Journal article LANGUAGE: English LENGTH: 15 Pages
SPECIAL FEATURE: Charts Equations References
WORD COUNT: 8363

ABSTRACT: A study evaluated the feasibility of using information collected under the Home Mortgage Disclosure Act (HMDA) to form quantitative measures of lender activity for use in enforcement. By evaluating 3 firm-level measures - loan application, approval, and origination rates - it was found that cross-lender variation in minority and low-income orginations primarily reflects differences in home mortgage application rates, not in approval rates. Gross measures of lender performance are compared with indices controlling for property location and loan applicant characteristics, and it was determined that they perform similarly. This suggests that most of the variation in lender behavior is idiosyncratic and cannot be attributed to variance in applicant characteristics reported in the HMDA data or to differences in the geographic markets served by the lenders.

TEXT: Federal fair housing and credit legislation addresses two major requirements. First, depository institutions must help meet the credit needs of their communities in a manner consistent with safe and sound lending practices (Community Reinvestment Act of 1977 [**CRA**]). Second, lenders must not discriminate against individual applicants on the basis of race, ethnic origin, gender, or religion (Equal Credit Opportunity Act of 1974 [ECOA]) and Fair Housing Act of 1968 [as amended in 1988]). Government agencies charged with regulating depository institutions are responsible for monitoring individual lenders' **compliance** with these statutes.

Historically, enforcement of the CRA and **fair lending** statutes has relied on qualitative, non-statistical methods. **CRA** examinations, for example, have focused primarily on procedural issues. With rare exception, regulators have considered the actions of individual complainants to enforce the other **fair lending** statutes. In the past year, both community activists and lenders have called for strategies to move toward more quantitative, outcome-based enforcement procedures. These calls stem, in part, from a belief that **CRA** and **fair lending** policy guidelines are unclear and often counterproductive, and perhaps more likely to generate paperwork than loans and services.
A recent change in the reporting requirements of the Home Mortgage Disclosure Act (HMDA) makes the move toward outcome-based enforcement procedures seem much more feasible. Since 1990, lenders in urban mortgage markets have been required to report to regulators the neighborhood (census tract) and a limited number of other characteristics (such as loan size, applicant race and income, and government guarantee) of all applications for mortgage credit during each calendar year. These data permit the quantitative comparison of a number of lending activities across lenders. Indeed, recent proposals by the bank regulatory agencies call for the use of HMDA data in evaluating CRA and **fair lending compliance** for lenders.(1)

The objective of this study is to evaluate the. feasibility of using HMDA data to form quantitative measures of lender activity for use in enforcement. We consider three potential measures of firm-level mortgage lending activity: loan application rates, loan approval rates, and loan origination rates. We examine the extent to which the three measures can differentiate among banks with respect to how they serve four subpopulations cited in the **fair lending laws** : minority loan applicants, applicants for loans in minority neighborhoods, low-income loan applicants, and applicants for loans in low-income neighborhoods. Using

national filings for the first year of the new **HMDA** regulations, 1990, we compare the performance of measures adjusted and unadjusted for local conditions and borrower characteristics.

Several conclusions emerge. We find that variation across lenders in loan originations to each of the four subpopulations is driven primarily by variation in application rates, not by variation in lender approval rates. This finding holds when both unadjusted and adjusted measures are examined and for a wide variety of lender groups sorted by size and type of institution. Furthermore, we find virtually no correlation between application rates and approval rates, so using indices based only on approval rates can be potentially misleading when evaluating individual lenders' **compliance** with the **CRA** . Indeed, variation in application rates appears to play a much more significant role in explaining variation in credit flows. Furthermore, focusing on approval rates may lead to outcomes that are counter to the intent of the legislation: To improve their minority-to-white approval rates, some lenders may discourage applications from all but the most creditworthy minority applicants, thereby reducing credit originations to minority and low-income communities.

One objection that has been raised to the use of application rates in evaluating lender compliance is that these rates are determined primarily by the neighborhoods that lenders serve. Our evidence suggests that this is not the case. Most of the variation in application rates stems from differences in the applicants that lenders attract within neighborhoods and not from the general racial characteristics of the neighborhoods as a whole. Finally, we also find that controlling for the economic characteristics and neighborhoods o the loan applicants provides relatively little power in explaining cross-lender differences. This suggests that gross application and approval-rate measures may give relatively good rankings of bank performance.

I. Background of Fair Housing Legislation

In response to community concerns about the flow of housing credit to minority and low-income communities and about the extent to which individual lenders were meeting the credit needs of their communities, Congress passed a series of laws during the 1970s. The ECOA of 1974 and the Fair Housing Act of 1968 (as amended in 1988) mandate that lenders do not discriminate against individual applicants on the basis of race, ethnic origin, gender, or religion. Two other laws were enacted primarily to fight geographic discrimination. HMDA, enacted in 1975, requires certain lenders to report annually the number and dollar value of mortgage loans they make in their communities according to census tract. Under the terms of the CRA, enacted in 1977, depository institutions must help meet the credit needs of their communities, including low- and moderate-income neighborhoods, in a manner consistent with safe and sound lending practices.

Monitoring individual lenders for compliance with these fair lending statutes is problematic. The standard for compliance with the ECOA is relatively well defined--other things equal, lenders cannot discriminate on the basis of race or property location. This implies that lenders must treat "comparable" applications from members of different racial groups and neighborhoods equally. Problems arise, however, in determining what types of behavior are considered discriminatory and in measuring whether two applications are the same except for the applicant's race and the property location.(2) Moreover, focus on the treatment of formal applications sidesteps the issue of indirect screening, whereby applicants are screened out before they formally apply. These concerns have shifted much of the focus in current enforcement of ECOA from procedures to outcomes. If the outcome of the process differs across racial groups or neighborhoods, then the burden of proof is on the lender to demonstrate that its procedures are not biased. For example, the lender can show that the differences arise from variables other than race and that the use of these variables in loan screening can be justified by their relationship to costs or loan performance. If differential outcomes in origination rates create the prima facie case for bias, the lender could face an examination of its

application and approval rates, as both affect originations.

CRA is concerned with the extent to which individual lenders extend credit to various groups within their market areas. While Congress did not articulate the standards for **compliance** beyond "meeting the credit needs of the community," the bank regulatory agencies responsible for enforcement issued joint policy statements in 1980 and 1989 reflecting their procedures. Apart from periodic examinations for **compliance** , regulators are required to take account of an institution's **CRA** record in assessing applications for regulatory actions such as mergers. Since 1990, lenders have also been required to give the public access to their examination assessments. Enforcement of **CRA** has generally focused on procedures rather than outcomes. Regulators have given significant weight to evidence of affirmative action--for instance, the location of loan offices, number of minority loan officers, methods of advertising, participation in community development banks, and availability of special low- to moderate-income housing programs.

On the surface, ECOA and CRA appear to address different aspects of the lending process. ECOA is concerned primarily with individuals, equal treatment, and race; CRA involves neighborhoods, credit flows, and income. More recently, though, enforcement of both acts has begun to evolve along quite similar lines. Regulators consider **fair lending** practices a critical factor in assigning **CRA** ratings. Moreover, as a practical matter, **CRA** enforcement has begun to place more weight on racial issues rather than focusing exclusively on income.

HMDA was instituted to provide regulators and the public with information on how lenders were serving low-income areas. Data reported under HMDA are now integral to enforcement efforts for both ECOA and CRA. Initially, depository institutions were required to report mortgage lending totals by census tract with no disaggregation by race, but concerns arose about the dearth of data available to analyze the reasons for differential mortgage credit flows and individual discrimination in mortgage lending. Amendments to HMDA in 1989 now require most mortgage lenders to collect and report information on all individual loan applications taken, whether approved i or not. In addition, some applicant information is now recorded, most notably income, loan amount requested, property location, gender, and race.

Many informative HMDA-based studies addressing issues concerning both ECOA and CRA have appeared during the past 15 years. Because the pre-1990 HMDA data contain no information about the individual applicants or about applications that were not approved, most of the early studies focus on the flow of credit to various neighborhoods (CRA), as opposed to a consideration of discrimination against particular loan applicants (ECOA). These studies ask whether mortgage lenders in an area, taken collectively, provided mortgage credit in predominantly minority or low-income neighborhoods at diminished rates relative to predominantly white or higher-income neighborhoods. Although researchers generally find disparate lending patterns between white and minority (or low-income) neighborhoods, they do not consider differences in lending patterns across individual lenders: Are these neighborhoods receiving less credit because each lender originates only a few loans in these areas, or because there are only a few lenders operating in these areas?(3) In addition, the data do not allow a clean investigation of the roles of credit supply and credit demand: Are these neighborhoods receiving less credit because of lender bias, or because lenders are not receiving comparable numbers of qualified applications from the various neighborhoods examined?

The expanded HMDA data set has spawned a number of new analyses of individual and neighborhood discrimination. Using information from a special survey that supplemented HMDA data for Boston, Munnell et al. (1992) examine the role of individual characteristics, particularly race, in loan approval. Avery, Beeson, and Sniderman (1993) discuss similar issues using 1990 and 1991 HMDA data drawn from the whole country. The role of neighborhood racial composition in generating applications and approving loans is explored in Avery, Beeson, and Sniderman (1994).

Many questions remain as to the appropriate methods of CRA and ECOA enforcement and the nature of the data collected to support this effort. Critics of the CRA, in particular, have argued that enforcement efforts need to focus more on performance and less on process. In this spirit, the bank regulatory agencies have recently called for comments on a comprehensive reform of CRA regulations and enforcement procedures. The proposed reforms would institute a new system of evaluation based primarily on performance. The data reported under HMDA are critical to the success of such an effort, both for quantifying an institution's own performance and for providing a benchmark of what other institutions are doing.

Because the new regulations encompass an expanded role for HMDA data, it is natural to ask how capable the data are for meeting this task. The new regulations call for only a mild expansion of HMDA, so the current data are representative of what would be available in the future. In this paper, we use the existing data to examine their effectiveness in providing the quantitative measures of institutional performance called for by the proposed new regulations. We examine three potential outcome measures: loan origination rates, loan application rates, and application approval rates. These are used to compare institutions' performance in serving four subpopulations cited by CRA: minority individuals, minority neighborhoods, low-income individuals, and low-income neighborhoods. In each case, we compare the rankings implied by gross outcome measures with those adjusted for neighborhood and applicant characteristics.

II. Data Description

Amendments to HMDA in 1989 now require most depository institutions (and mortgage lenders) to collect and report information on all individual loan applications taken for home purchase, mortgage refinance, and home improvements, whether approved or not. This study makes use of the HMDA data for 1990--the first release of the new data--which represent the most comprehensive survey of mortgage lending in the United States.(4) All commercial banks, savings and loan associations, credit unions, and other mortgage lending institutions (primarily mortgage bankers) that have assets of more than $10 million, make one or more one- to four-family home purchase loans, and have an office in a metropolitan statistical area (MSA) are required to meet HMDA reporting requirements.

For each mortgage application received or mortgage loan purchased from another institution during the calendar year, the lender must report the loan amount; the location of the property (state, county, and 1980 census tract number); whether the property is owner-occupied; the loan purpose (home purchase, home improvement, or refinancing for one- to four-family or multifamily unit); the type of loan (conventional, FHA, VA, guaranteed by Farmers Home Administration [FmHA]); the action taken by the lender (loan approved and originated, application approved but withdrawn, application denied, application withdrawn before lender action, file closed for incompleteness, loan purchased from another institution); the race and gender of the loan applicant (and co-applicant, if any); and the income relied on by the lending institution in making the loan decision.(5)

In total, 9,333 financial institutions filed HMDA reports in 1990 on more than 6 million loan applications and loan purchases. Our analysis focuses on a subset of these filings: applications for one- to four-family home purchase loans that were acted upon (approved or denied) by the lender. This sample includes 1,984,688 loan applications made to 8,745 separate lenders operating in 40,008 census tracts in all 340 of the U.S. MSAs defined as of 10 (see box 1 for details).

The study sample has a substantial degree of representation from applicants of different races and income levels (table 1). (Table 1 omitted.) Overall, however, applicants for home purchase mortgages are a select sample of American house I holds. Applicants' median income ($48,000) is substantially higher than the median income of families in MSAs ($37,318) as reported in the 1990 decennial census.(6) The racial composition of the study sample also appears to differ somewhat from that of all U.S. families. Blacks filed 6.2 percent of the HMDA housing loan applications,

yet were 5.7 percent of the homeowners and headed 11.4 percent of the MSA households. Asian loan applicants (4.6 percent), however, were overrepresented compared with their numbers in the census (2.5 percent of MSA household heads and 2.2 percent of homeowners). The share of white (81.4 percent) or Hispanic (6.6 percent) applicants is approximately representative of their numbers (78.1 percent of household heads and 84.8 percent of homeowners for whites and 7.5 percent of household heads and 5.0 percent of homeowners for Hispanics).(7)

Also worth noting is the substantial presence of the federal government in mortgage lending. One-quarter of the mortgages issued were directly guaranteed by the federal government (FHA, VA, or FmHA), with an additional quarter purchased in the secondary market by one of the federal housing credit agencies (FNMA and FHLMC).(8) Indeed, 55 percent of all mortgages issued were sold in the secondary market, suggesting that the study of mortgage lending patterns is more an analysis of a brokered industry than one where participants buy for their own portfolios.

Sample characteristics are broken down by type of lender and applicant in table 2. (Table 2 omitted.) Lender here is defined at the MSA level. Thus, a lender reporting loans for two different MSAs is treated as two different lenders.(9) Lenders, shown in the rows, are grouped by size and type of institution and by the size and minority population of their MSA as shown in the rows of the table. Applicants are grouped into five categories shown in the columns: 1) overall; 2) minority (native American, black, and Hispanic, about 13 percent of applicants); 3) low-income (family income of $25,000 or less, roughly the bottom 15 percent of applicants); 4) residents of minority census tracts (those with more than 30 percent of loan applications from minority applicants, roughly 13 percent of applicants); and 5) residents of low-income census tracts (those with more than 30 percent of loan applications from low-income applicants, again roughly 15 percent of applicants).(10) For each applicant category, we show the percent of the lender-type's loan applications or originations made to members of the category.(11) We also present the category approval rate (the portion of all loan applications from members of the category that are approved) and the relative approval rate (the ratio of the category approval rate to the overall approval rate for all applicants), shown in column 1.

There is little evidence that specific types of lenders, such as commercial banks or thrifts, specialize in minority lending. On the other hand, at least superficially, it would appear that there is specialization by size of lender. About 17 percent of the applicants to lenders receiving more than 500 home purchase loan applications were minorities, with a similar percentage from minority tracts. Smaller lenders (those with less than 100 applicants) took in only 9 percent of their applications from these categories. However, much of this difference may simply reflect the concentration of large lenders in large MSAs, where there is also a high concentration of minority applicants and minority tracts. Within MSAs, the difference in minority share between the larger institutions (those with market shares exceeding 5 percent) and small institutions is much less.

The picture looks somewhat different for low-income applicants. Commercial banks and their subsidiaries receive a disproportionately large share of low-income applications; on the other hand, a disproportionately small percentage of thrift business comes from low-income borrowers or tracts. Larger lenders also receive disproportionately fewer low-income loan applications. Again, though, this appears to be a result of the between-MSA distribution of applicants. Within MSAs, the largest lenders tend to receive more low-income applications.

Finally, we note that the specific measure used to compare minority and nonminority lending or low-income and high-income lending has little impact on the distribution across lenders. The same patterns are found when minority lending is measured by the number of minority applications, the number of applications from minority census tracts, the dollar value of minority applications (not shown), or the dollar value of applications from minority tracts (not shown). Similarly, for low-income lending, the cross-lender distribution is the same whether lending is measured by the

number or dollar value of loans or whether income is measured by the applicant or tract.

III. Variance in Lending Patterns

The sample statistics reported in the previous section reflect the average percentage of loan applications from minority and low-income individuals (or tracts) and the average approval rate on those applications by various types of lending institutions. These statistics could be thought of as describing the prototypical lender in the mortgage market, not the actions of any individual lender operating in that market, and as ignoring the variation across these individual lenders. In this section, we compare three measures of individual lender performance: 1) minority and low-income origination rates (the share of loans originated going to minorities or low-income individuals or tracts), 2) application rates (the share of applications received from minorities or low-income individuals or tracts), and 3) relative approval rates (differences in the actions taken on applications).

We first address the relationship among these three measures. Because origination rates are equal to the product of application rates and relative approval rates, we would like to know the extent to which credit origination differences among lenders stem from the former factor versus the latter. That is, if we are concerned about credit flows to minority and low-income applicants and neighborhoods, does variation across lenders arise primarily from differences in treatment or in application rates?

An approximate answer to this question can be obtained by estimating the following equation:

(1) Origination rate sub L = beta sub 1 MSA sub L

+ beta sub 2 application rate sub L

+ beta sub 3 relative approval rate sub L + e sub L ;

where the origination rate for lender L equals minority (or low-income) originations as a portion of total originations, MSA sub L is a vector of dummy variables indicating the metropolitan area in which lender L operates, application rate is minority (or low-income) applications as a share of total applications, and relative approval rate is the minority (or low-income) approval rate divided by the overall approval rate. The MSA fixed effects control for differences in the mortgage lending market that are common to all lenders in that market but may vary across markets, such as the size of the minority population or lending practices.

Fitting equation (1) provides an estimate of the relative importance of application rates and approval rates in explaining variation in origination rates. Unfortunately, as with any regression, because application rates and relative approval rates are likely to be correlated, we cannot compute a precise estimate of the contribution of each component to the variation in origination rates. However, several approximate estimates are possible. We determine a lower bound on the contribution of each component by estimating its marginal contribution; that is, the additional variation in origination rates explained by adding the component to a model containing the other component. We compute an upper bound on the contribution of each component from its univariate fit -- the proportion of the variation in origination rates that it explains by itself. The difference in the lower and upper bound estimates derives from how the impact of the covariance between the two components is assigned. The lower bound estimate assigns the covariance to the other component, and the upper bound assigns the full effect of the covariance to the variable in question.

Table 3 reports the allocation of variance for estimates of equation (1) for several different origination rates. (Table 3 omitted.) The variance associated with MSAs is removed from the total before we measure the contributions of the application and relative approval rates. Thus, we are decomposing the variance in the deviations about MSA means. Row 1 shows the

variance in decomposition across lenders for the origination rate of minority individuals. Row 4 shows the decomposition for originations in minority tracts. Rows 6 and 9 show the decomposition ' for low-income individuals and tracts, respectively. Rows 2, 5, 7, and 10 report decompositions for origination rates weighted by dollars. Finally, decompositions for minority and low-income individuals applying in central cities are shown in rows 3 and 8.

For each decomposition estimated, the sample includes all lenders for which the origination rate, application rate, and relative approval rate are defined. We note that this reduces the sample of lenders substantially from the full sample reported in tables 1 and 2. For example the sample used for minority individuals includes only 11,598 of the 20,635 HMDA-reporting lenders (40 percent were dropped because they had no minority applicants and 3 percent because they had no originations of any type. However, these lenders received 1,867,211 of the 1,984,688 full sample applications (94 percent). Moreover, the percentage of applications made by minorities in the decomposition sample (14.1 percent) is only slightly higher than in the full sample (13.3 percent).

For each decomposition, we present several statistics. In columns 3 and 4, we show the mean and standard deviation of the origination rate across lenders. Note that the mean origination rate across lenders is generally higher than the sample average, indicating that smaller lenders make more of their loans to minorities or low-income individuals. In column 5, we show the R-squared of the estimated equation (1). Both the R-squared and standard deviation are adjusted for deviations about MSA means. Finally, in columns 6 and 7, we show the percentage of the total variation of the origination rate that can be attributed to the application rate or relative approval rate, adjusted for MSA fixed effects.

We find that the overwhelming majority of the cross-lender variance in minority originations is attributable to differences in minority application rates. Differential approval rates by race account for a relatively small portion of the variance. For example, after controlling for MSA differences, 87 to 90 percent of the variance in originations to minority individuals is captured by lender-specific differences in minority application rates; only 10 to 13 percent stems from different approval rates for these applications. This narrow range suggests that the contribution of the covariance is quite small, which greatly enhances our ability to identify the importance of the application rates.

Our results concerning low-income lending are much the same as those for minority lending. The only difference is that the ranges for low-income lending are somewhat larger than those for minority lending, indicating that the covariance between application rates and relative approval rates contributes more to the cross-lender variance in low-income originations than it does to the cross-lender variance in minority origination rates. The results are virtually identical when dollar values are used or when census tracts rather than individual applicant characteristics are examined. Restriction of the sample to central cities does little to alter the results, other than showing a slight increase in the variance that may be attributable to relative approval rates.

To examine the robustness of these results further, table 4 reports the allocation of the variance across lenders in minority originations for lenders grouped by type, size, and market share of institution, and by MSA size and percent minority. (Table 4 omitted.) The dominance of differences in application rates as the source of lender differences in minority origination rates holds across all types of lenders, all sizes of lenders (measured in terms of both the volume of applications received by the lender and the lender's market share), and types of MSAs. Even for mortgage banks (subsidiaries of depository institutions as well as independents), where the contribution is smallest, cross-lender differences in application rates account for at least three-quarters, and may account for as much as 90 percent, of the variance in minority originations.

The contribution of minority application rates to the variance in

originations is smallest among small lenders, regardless of the type of lender. For the largest lenders (those with 500 or more applications), differences in application rates account for 93 to 99 percent; or lenders with less than 100 applications, they account for 85 to 89 percent. This is also true when size is measured by market share. Differences in lender minority application rates account for 6 to 97 percent of the variance across those with 5 percent or more of the market, and for 84 to 8 percent across lenders with less than 1 percent of the market. Although not presented here, similar conclusions hold for the decomposition of minority tracts and low-income individuals and tracts by lender types and size.

We conclude that differences in the relative approval rates of minority and low-income loans account for only a small portion of the variance across institutions in the portion of originations going to minority and low-income applicants. In the following section, we examine various factors that may be contributing to the cross-lender variance in application and approval rates.

IV. Sources of Cross-Lender Variance in Lending Patterns

The outcome measures presented in the previous section are gross measures of lender performance. As such, they do not control for exogenous market factors that affect lender performance but that are beyond the lender's control. The effects of any such exogenous factors should be removed before constructing measures of lender performance to be used in CRA and **fair lending** evaluation. Although it by no means contains an exhaustive list, **HMDA** includes information on a number of applicant characteristics that arguably should be controlled for: loan size, applicant income, loan type (FHA/VA or conventional), and property location. To the extent that these factors are correlated with race, this specialization will contribute to the **observed** cross-lender variance in minority application rates. Similarly, to the extent that they are correlated with creditworthiness, these applicant characteristics may also be contributing to the **observed** differences in relative approval rates. In this section, we examine the effect of removing these factors on our assessment of various measures of lender performance. We focus on individual minority application rates and relative approval rates, although our results hold for low-income and neighborhood taxonomies as well.

We compute adjusted indices as the lender average for each variable after the effects of property location and applicant characteristics are removed. For the application and overall approval rate, this is estimated directly from a fixed-effects linear probability model, where the fed effects are, by construction, the average of the dependent variable after the effects of other variables are removed. The fixed-effects linear probability models used to compute the adjusted indices were estimated with the full 1,984,688 loan sample, and have the following form:

(2) $APPLICATION_{iMTL} = \beta_A AC_i + \beta_M MSA_M + \beta_T TRACT_T + \beta_L LENDER_L + u_{iMTL}$,

(3) $APPROVAL_{iMTL} = \Gamma_A AC_i + \Gamma_R RACE_i + \Gamma_M MSA_M + \Gamma_T TRACT_T + \Gamma_L LENDER_L + u_{iMTL}$,

where APPLICATION is coded one if the ith applicant using the Lth lender in the Mth MSA and Tth census tract is a minority (native American, black, or Hispanic) and zero otherwise; and APPROVAL is coded one if the ith applicant loan using the Lth lender in the Mth MSA and Tth census tract is approved and zero otherwise. AC is a vector of application characteristics reported in the HMDA data, including gender, marital status, occupancy, income, loan amount, income-to-loan ratio, loan type, and interactions among these variables. RACE includes dummy variables for six applicant and two co-applicant racial categories. The racial dummies are also interacted with FHA and VA loan dummies. MSA, TRACT, and LENDER are dummy variables indicating which of the 340 MSAs, 40,008 census tracts, and 20,695 lenders the application relates to, and u and v are residuals. By construction, the MSA effects are **normalized** to have an overall mean of zero, and within each MSA, the lender and tract effects are **normalized** to have means of zero.(12)

Adjusted indices for the minority and relative approval rates are more complicated to estimate because they involve the ratio of predictions for two groups. For these calculations, we used variants of the fixed effects, computed by averaging lender residuals from the overall approval rate model separately for minorities and nonminorities. Thus, the adjusted lender indices were taken either as the direct LENDER fixed effects estimated in equations (2) and (3) or computed as lender residuals averaged over the minority and nonminority subgroups. Finally, we were also interested in computing the average lender "quality" of applicants as measured by their average AC and TRACT effects. The exact construction of each of the variables used in this portion of the analysis is

1) the average economic characteristic effects of the Lth lender's applicants,

AC sub app = Sigma sub iepsilonL beta sub A AC sub i /N,

AC sub apr.minority = Sigma sub jepsilonL Gamma sub A AC sub j /N sub j, for all nonminority applicants j;

AC sub apr.nonminority = Sigma sub kepsilonL Gamma sub A AC sub k /N sub k , for all nonminority applicants k;

2) the average census tract effects of the lender's applicants,

TRACT sub app = Sigma sub iepsilonL beta sub T TRACT sub i /N,

TRACT sub apr.minority = Sigma sub jepsilonL Gamma sub T TRACT sub j /N sub j , for all minority applicants j;

TRACT sub apr.nonminority = Sigma sub kepsilonL Gamma sub T TRACT sub k /N sub k , for all nonminority applicants k.

3) and the adjusted lender indices, estimated directly as fixed effects or averaged separately for minorities and nonminorities,

LENDER sub app = beta sub I ,

LENDER sub apr = Gamma sub I ,

LENDER sub apr.minority = MINORITY APPROVAL RATE

- AC sub apr.minority - TRACT sub apr.minority

- Sigma sub jepsilonL Gamma sub R RACE sub j /N sub j - Gamma sub M , for all minority applicants j.

LENDER sub apr.nonminority = NONMINORITY APPROVAL RATE

- AC sub apr.nonminority - TRACT sub apr.nonminority
- Sigma sub kepsilonL Gamma sub R RACE sub k N sub k - Gamma sub M , for all nonminority applicants k.

where N, N sub j , and N sub k are, respectively, the total, minority, and nonminority number of applicants to the lender and M is the MSA of the lender.

Four different measures of lender loan activity were regressed against these constructs, and a variance decomposition similar to that performed in the previous section was undertaken. The four measures were

1) the minority application rate, which was regressed against AC sub app and TRACT sub app ;

2) the relative approval rate, which was regressed against AC sub apr.minority , AC sub apr.nonminority , TRACT sub apr.minority , TRACT sub apr.nonminority , LENDER sub apr.minority , and LENDER sub apr.nonminority

;

3) the minority approval rate, which was regressed against AC sub apr.minority , AC sub apr.nonminority , TRACT sub apr.minority , TRACT sub apr.nonminority , and LENDER sub apr.nonminority ;
4) the overall approval rate, which was regressed against AC sub apr.minority , AC sub apr.nonminority , TRACT sub apr.minority , and TRACT sub apr.nonminority .

Each regression was run with MSA dummies; thus, we analyze within-MSA variation. The contribution of each component to the overall variance in minority application rates is identified using the same variance decomposition procedure as in the previous section. Again, because we are looking at a decomposition of variance, the amount attributable to each source can only be approximated. As in the previous section, lenders used in these regressions were limited to the 11,598 lenders for whom all dependent variables were defined (at least one minority applicant and one approved loan).

The AC and TRACT components can be thought of as exogenous factors, potentially beyond the lender's control. The adjusted lender effects in minority application and approval rates constructed above (LENDER sub app , LENDER sub apr , LENDER sub apr.minority , and LENDER sub apr.nonminority) can be interpreted as lender-specific differences in application and approval rates controlling for applicant characteristics and property location. The variance decomposition allows us to compare the unadjusted measures of lender performance, as represented by the gross minority application and relative approval rates, with the adjusted indices, as measured by the LENDER variables. If the LENDER variables account for most of the variation in the gross measures, then regulators may be able to use gross performance measures without serious cost. If, on the other hand, AC and ACT account for a substantial portion of the variation in the gross measures, this may be an inappropriate decision.

Table 5, column 1 shows the decomposition of the cross-lender variance in minority application rates. (Table 5 omitted.) Differences in application characteristics account for 1 to 3 percent of the within-MSA variance across lenders. Much more surprisingly, differences in the census tracts from which lenders receive applications account for only 22 to 29 percent of the variation, with 71 to 75 percent of the variation across lenders attributable to the unexplained pure LENDER effect. This means that most of the variation across lenders in the number of minority applications they receive does not stem from the fact that they serve different neighborhoods, but from how they draw applicants within neighborhoods. This result is robust to a number of variations, such as ignoring MSA effects or weighting the regression by the number of applications received by the lender, and runs counter to the conventional wisdom that variation in the racial composition of the neighborhoods served by lenders is the major source of cross-lender variation in the proportion of minority applications received.(13)

Column 2 of table 5 shows the decomposition of the within-MSA variance in relative approval rates. Between 2 and 5 percent of the difference across lenders can be attributed to variation in the application characteristics, and between 4 and 6 percent can be attributed to census tract location. The overwhelming majority of variation (91 to 93 percent) cannot be explained by these factors and is attributable to the pure lender effect.

Similar conclusions are reached when we use the same methodology to examine sources of cross-lender variation in minority approval rates (table 5, column 3). Applicant economic and census tract effects are small. The overall standard of the institution, measured by the non-minority lender effect, explains about one-third of the within-MSA variation (that is, minorities who apply to institutions with low approval rates for all applicants tend to be approved at lower rates, ceteris paribus). However, more than half of the variation in minority approval rates cannot be explained by any of these factors. These remaining differences may reflect differential treatment of minority applications or differences in the

unobserved characteristics of the loan application; without additional information, it is impossible to make a determination.
It appears that this large component of unexplained variation is consistent with evidence of significant idiosyncratic lender behavior. Column 4 of table 5 reports the decomposition of the cross-lender variance in overall approval rates (minority and nonminority) based on he same methodology used above. About 0 percent of the within-MSA variation in overall lender approval rates cannot be explained either by applicant characteristics (as we measure them) or by census tract.

These results suggest that the adjusted measures of lender performance account for the vast majority of variation in the gross measures. This finding is further examined in table 6, which reports the differences in gross and adjusted performance measures across various lender groups arranged by type, size, and market share, and by size and percent minority in the MSA. The difference between the gross and adjusted standard deviations for each group reflects the importance of the control factors, AC and TRACT.

The first column of table 6 is the cross-lender variance in minority application rates; the second column is the variance in the pure lender effect on the application rate. (Table 6 omitted.) For the full sample of lenders, cross-lender variance before controlling for the applicant characteristics and property location is 0.20; after controlling for these factors, the variance is 0.14. Thus, about 30 percent of the cross-lender variance in minority application rates is explained by control factors. These factors account for a larger portion of the variance across commercial banks than for other types of lenders. They also account for more of the variance across lenders with large market shares, and those in MSAs with large numbers of minority applicants.

The control factors explain relatively little of the cross-lender variance in overall approval rates (columns 5 and 6) or in minority approval rates (columns 7 and 8). However, they do explain a sizable portion of the cross-lender variance in relative approval rates (minority approval rate/overall approval rate). Before controlling for the factors in our model, the cross-lender variance in relative approval rates is 0.37; after controlling for them, the variance is 0.26 -- almost 30 percent lower. As was the case with application rates, control factors account or relatively more of the variation in approval rates for commercial banks and their mortgage subsidiaries, for lenders with large market shares, and for lenders in MSAs with larger numbers of minority applicants than other institutions.

It is also interesting to examine the relationship between the pure lender effect on minority application rates and the pure lender effects on absolute and relative minority approval rates. Overall, those lenders with higher-than-expected minority application rates (positive lender effects) are associated with slightly higher-than-expected minority approval rates, both absolute and relative. However, the correlations are surprisingly small (0.001 and 0.024, respectively), suggesting that minority applicants do not seem to be applying to lenders where their probability of approval is higher.

V. Conclusion

This paper uses recently released HMDA data to examine differences in minority and low-income lending patterns across lending institutions. The new data allow us to identify both the application and the action taken on that application by the lender, thus enabling us to sort out lender behavior from applicant behavior to a greater extent than allowed by previous data. We therefore can determine the extent to which the differences across lenders in minority (low-income) originations found in earlier studies reflect differences in minority (low-income) application rates across lenders as opposed to differences across institutions in their minority (low-income) approval rates relative to their overall approval rates.
Our examination of the HMDA data reveals the following patterns related to

lender differences in minority lending. First, lender differences in minority approval rates account for only about 10 percent of lender differences in minority loan originations: Differences across lenders in minority application rates account for the remaining 0 percent. Second, we find that very little of the lender variation in either minority application rates or approval rates can be attributed to applicant characteristics. Third, somewhat surprisingly, we determine that while property location explains a nontrivial portion of the cross-lender variance in application rates, most variation stems from differences in the applicants that lenders attract within the neighborhoods they serve. Finally, the correlation across lenders between minority application rates and minority approval rates is quite small. Minorities do tend to apply to lenders with low overall approval rates, but within this class of lenders, minority application rates are highest at those lenders with relatively large minority approval rates.

These results suggest that gross measures of lender performance may work fairly well in implementing a more quantitative regulatory evaluation system. They also suggest that application rate measures should play a particularly important role if increased credit flows to selected groups are the desired objective. Interestingly, even here, gross application rate measures may work fairly well in differentiating among lenders. We caution, however, that even though our research indicates that lenders vary enormously in terms of their relationships with minority and low-income applicants, we can say little about the reasons for this variation. Differences may result from illegal practices, or simply from economic factors on both sides of the market. Furthermore, because a number of financial institutions have initiated; new lending practices during the last few years, the **observed** variation among lenders may be narrowing. Regulators and the public should attain a better understanding of the variation in lenders' practices before reaching definitive conclusions about how to use measures of such variation in enforcement of the **CRA** or **fair lending laws** .

BOX 1

HMDA Data and Methodology

Overall, HMDA reported information on 6,595,089 loan applications and purchases in 1990. Of these, 1,137,741 were purchased from other institutions and 1,523,429 were applications received for properties outside an MSA. Excluding these left 3,933,919 applications (59.6 percent) to reporting institutions for properties within an MSA in which the lender had an office. Of these applications, 787.952 were for home improvement loans, 716,595 were for refinancing of one- to four-family home loans, and 32,176 were for multifamily home loans. An additional 241,295 applications were never acted on because they were either withdrawn by the applicant or closed due to incompleteness. Eliminating these from our sample left a total of 1,984,688 loan applications that met the study criteria.

Not surprisingly, the initial HMDA filings contained many errors and inconsistencies that required extensive editing by the receiving federal agencies. Unfortunately, these procedures do not appear to have been uniformly applied, requiring additional cleaning and editing for this study. In addition, smaller institutions were not required to report race, income, and gender for loan applicants. We decided to deal with missing data using a "hot deck" imputation procedure similar to that used by the U.S. Census Bureau. Applications with missing data were statistically matched to applications in the same census tract that came closest to them in reported characteristics (race, loan action, income, and loan amount). Missing values were filled in using the variable value of the matched observation. Applications with implausible reported values were treated as missing and imputed in the same way. Overall, income was imputed for 4.9 percent, loan amount for 1.5 percent, gender for 4.0 percent, and race for 5.6 percent of the study sample applications.

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* 1 See "Community Reinvestment Act Regulations," Federal Register. October 7, 1994 (59 FR 51232).

* 2 See Wienk (1992) for a discussion of conceptual and measurement problems related to assessing the degree of discrimination in credit markets.

* 3 Using pre-1990 HMDA data, Canner (1981), Avery and Buynak (1981), Avery and Canner (1983), and Bradbury, Case, and Dunham (1989) contrast the differences in mortgage credit originations between predominantly white and predominantly minority neighborhoods in various metropolitan statistical areas (MSAs). One of the few studies to look at lenders is Calem (1993). He contrasts the experiences of individual lenders participating in a Philadelphia area mortgage-lending plan with those who did not participate. However, his paper does not document the existence of lender differences in the penetration of minority communities; his primary focus is on the characteristics of the voluntary mortgage plan operated by a group of lenders. Avery (1989) notes the differences between studies based on lending in a neighborhood and the procedures adopted by individual lenders.

* 4 At the time this paper was published, 1991 and 1992 HMDA data were also available. Although not reported here, analysis of data from these later years suggests similar conclusions to those presented here.

* 5 See Canner and Smith (1991, 1992) for a full description of the HMDA data. Information on income, race, and sex of the applicant does not have to be supplied by reporting institutions with assets less than $30 million or for purchased loans.

* 6 In the HMDA data, household income may be slightly understated because it reflects only the portion of an applicant's income needed for mortgage qualification.

* 7 The percent Hispanic in the HMDA sample is slightly higher than the share for the overall U.S. population, due in part to the inclusion of Puerto Rico.

* 8 These acronyms represent, respectively, the Federal Housing Administration, Veterans Administration, Farmers Home Administration, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.

* 9 The 8,475 financial institutions with looans in the study sample operated in an average of 2.4 MSAs. This averaged into the 20,695 study lenders when the lenders were defined at the MSA level.

* 10 The decision to treat Asians and "other race" applicants as non-minorities was somewhat arbitrary. As shown in table 1, the overall acceptance rate for Asian home purchase loan applicants is much closer to the white acceptance rate than to the acceptance rates for blacks, Hispanics, or native Americans. We note, though, that the acceptance rates for Asian re-finance and home improvement loan applicants are closer to those of Hispanic applicants than to those of whites.

* 11 We count all applications approved by the lender as "originations." In fact, some applications (2.9 percent) are approved by the lender but are subsequently withdrawn by the borrower. In these cases, the loan will not actually be made.

* 12 Estimates of these regressions are available from the authors upon request.
* 13 The potential contribution of census tracts is larger when the regression is weighed by the number of applications each lender received. Since this decomposition focuses on within-MSA variation and gives most weight to the largest lenders within the MSA, it is difficult to separate the lender effect from the census tract effect. As a result of the covariance between the two, the range of the contribution of each is quite large (27 to 69 percent for census tracts and 30 to 63 percent for lender effects). We note that even in this decomposition -- the most favorable case for census tract effects -- at least 30 percent of the variance across lenders cannot be explained by loan application characteristics or by the racial composition of the neighborhood from which the lender draws applications.

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GEOGRAPHIC NAMES: US

DESCRIPTORS: Bank compliance; Home Mortgage Disclosure Act 1990-US; Credit discrimination; Loan originations; Variance analysis
CLASSIFICATION CODES: 8120 (CN=Retail banking); 4320 (CN=Legislation); 9190 (CN=United States); 9130 (CN=Experimental/Theoretical)
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DIALOG(R)File 268:Banking Information Source

00267825 (THIS IS THE FULLTEXT)

Warehousing benefits

Whybrow, Martin

Banking Technology, v12, n4, p16, May 1995
DOCUMENT TYPE: Journal Article ARTICLE TYPE: News ISSN: 0266-0865
JOURNAL CODE: BBNT LANGUAGE: English RECORD TYPE: Abstract Fulltext
WORD COUNT: 00789

ABSTRACT: In essence, data warehousing means putting a single database above a company's existing systems. The data is held in a standard, consolidated format, and all management reporting and analysis is then driven from this repository. The main driver within the financial sector at present is the European Capital Adequacy Directive. In order to comply, banks need to be able to undertake consolidated reporting across the entire trading book.

TEXT:

The term 'data warehousing' has only really entered the banking IT vocabulary over the past year or so. Fortunately no one has yet turned it into an acronym (DWH perhaps) but it shows all the signs of becoming yet another subject about which consultants and suppliers will be able to pontificate to their heart's content. Watch out for the DWH conferences, supplements and DWH '96 show. In the US, the Meta Group has already dubbed DWH 'a mandatory initiative for survival' and claims that a survey of America's largest companies found that more than 90 per cent were planning to implement a data warehousing strategy in the next couple of years.

As with all of these supposed trends, it has to be asked whether data warehousing (I'll drop the acronym in case it catches on) actually delivers anything other than a new title for something that people have been happily doing for many years anyway. In essence, data warehousing means putting a single database above a company's existing systems. The warehouse is fed by the underlying systems, data is held in a standard, consolidated format, and all management reporting and analysis is then driven from this repository. It all sounds somewhat like the much maligned executive information system of old.

In fact, the data warehouse concept is fairly old hat in the retail sector, says Giles Godart-Brown, senior pre-sales manager at Oracle. Many large retailers have put in place a central repository primarily to support complex analysis of sales, profitability and consumer buying patterns. Banks are only now coming round to the idea, which does at least mean that they can benefit from some of the mistakes made in other sectors. One example of this, says Godart-Brown, is that 'the route which did not work was connecting the reporting engine directly to the systems'.

Flexibility is key. A data warehouse approach supports changing requirements without the need to redefine or add data feeds. The main driver within the financial sector at present is the European Capital Adequacy Directive (CAD). In order to comply, banks need to be able to undertake consolidated reporting across the entire trading book. Users can either feed the required data directly into a black box to handle the calculations and reporting or they can pump the data into a repository and then hang the black box off this. The latter approach will allow users to make better use of the information than merely churning out CAD numbers. It will also provide them with flexibility, a vital commodity if, as some predict, CAD will actually have a relatively short life span before it is usurped by new regulations issued by the Basle central bankers committee.

Of course, data warehousing is easier said than done. For a start, the information needs to be collected, cleaned, and then translated into a consolidated format. If the data is drawn from transaction processing systems it may not be in a format that lends itself to reporting, having been honed down to the bare minimum for performance reasons. Decisions have to be made about whether the data is collected on a real-time or batch basis, and then for how long it is kept. It may be fed directly from the dealing room but, from the point of view of logistics and accuracy, may well be taken from the back office instead.

More than likely, there will be a need for some form of middleware

such as Synergo's OpenHub or the SQL Group' s Tnformation Junction. (Transaction processing monitors are not particularly appropriate here as they are less functionally rich and have more to do with improved throughput than data conversion.) The incoming and outgoing formats for each data item are defined using tables and parameters within the middleware. This is a fairly slick way of data consolidation but may well have performance implications which may dissuade users from taking in data in real time.

Either way, Godart-Brown believes that symmetric or, more likely, multiple parallel processing (SMP or MPP) is the way forward for data warehousing. The warehouse does not necessarily have to be very large, he points out - it could merely hold summary data. However, the more useful and flexible versions will be fairly huge beasts that will take in a large amount of data and will then hold it for a considerable time.

Data warehousing is clearly not a cheap solution. It is also being practised already by some banks (whether or not they classify it as such) in areas such as trading analysis to highlight market trends or for global risk management, like CAD. The latter in particular will ensure that the phrase data warehousing remains on everyone's lips for the rest of the year at least.

CLASSIFICATION: 9175 (CN=Western Europe); 8100 (CN=Financial services industry); 5240 (CN=Software & systems)
DESCRIPTORS: Data warehouses; Bank automation
GEOGRAPHIC NAMES: Europe

2/9/27 **(Item 8 from file: 625)**
DIALOG(R)File 625:American Banker Publications

0077349

New Software Brings HMDA Data to Desktop

Regulatory Compliance Watch - December 19, 1994; Pg. 4; Vol. 4, No. 48
ARTICLE TYPE: News
DOCUMENT TYPE: Newsletter LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 461

TEXT:
Lenders who want to review their 1993 lending records--and those of their competitors--can do so now on personal computers.

For the first time, PCI Services Inc. of Boston has made **CRA Wiz** available so that lenders who don't have program experience don't
have to leave their office to determine their HMDA market share compared to other lenders by racial, income or other defined group for any part the United States and Puerto Rico.

The official release date of the software was Dec. 12, although Bob Daley, one of PCI's founders, said that the Federal Reserve had already purchased the system to test its usefulness in field examinations. "We delayed the release date in order to be able to incorporate the 1993 aggregate data that the Fed released earlier this month," he said.

The reason why one doesn't need any program experience is because **CRA Wiz** is in Windows format. "All you need to do is turn on a switch on a computer, then take your mouse, click it on what you need," said Daley. "If you know how to use a VCR you can use this program."

Daley and the company's other co-founder, Raffi Festekjian, met in 1989 when both were working for a Boston buyout firm specializing in banks. In 1990 they decided to form PCI Services, a bank consulting firm specializing in the recapitalization of "sick" banks.

"Our financing and buyout experience were the right skills at the right time for New England in 1990," Dale said. "However, by 1993, the number of troubled banks had been significantly reduced, and we realized that we needed to find an emerging area in banking to continue our firm's growth."

At the same time, the partners met a professional cartographer who was looking for a market that could benefit from the significant advances available in computer mapping. Daley said he saw an opportunity to condense information on an institution's HMDA lending performance into maps. "PCI began operating a CRA reporting and mapping service on an outsourcing basis," he said. "Clients would mail or modem to PCI, CRA and related data, and would receive in return analysis reports, presentations and maps illustrating the data." However, this approach meant clients had to wait three weeks for the results. "Now both regulators and institutions can ask nearly any questions about HMDA data and have it answered in real time-on site during an examination."

PCI Services is offering **CRA Wiz** at a special price if the base software plus all the demographic data is purchased before Feb. 28. The deal does not include maintenance. Mapping and geocoding also are additional.

For information on software, call PCI, (617) 227-0090; the Central Group, (800) 599-2133; or Geosegment Systems Corp., (617) 494-0020.

COMPANY NAMES (DIALOG GENERATED): Central Group ; CRA ; Geosegment Systems Corp ; PCI Services Inc

17/9/15 (Item 11 from file: 15)
DIALOG(R)File 15:ABI/INFORM(R)

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Community banks play it fair
Sraeel, Holly
Bank Systems & Technology v31n10 PP: 54-60 Oct 1994 CODEN: BSEQD6
ISSN: 1045-9472 JRNL CODE: BSE
DOC TYPE: Journal article LANGUAGE: English LENGTH: 4 Pages
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ABSTRACT: As regulators increase enforcement efforts, financial institutions - particularly community banks - are bracing for still more change, including **Community Reinvestment Act** (**CRA**) reform and a renewed interest in **fair lending laws** . Admittedly, many community bankers say the regulatory news is not all bad. The big push to remain compliant with **CRA** and **fair lending laws** has actually improved the banks' overall operating procedures, prompting evaluation of underwriting practices, investment in mapping **software** to track geographic distribution of products and services in the community and more tightly focused marketing opportunities - and strengthening ties to the community. Bank of Walnut Creek has begun using a mapping system from Atlas Graphics to track deposit and lending activities across 3 different counties. An important aspect of mapping **software** is that it flags potential trouble spots before bank examiners find them.

TEXT: If the banking industry has had its fill of the U.S. Department of Justice (DoJ), the U.S. Department of Housing and Urban Development (HUD) and various other regulatory bodies in 1994, next year isn't looking much brighter--and that's exactly what the Clinton Administration wants. As regulators step up enforcement efforts, financial institutions--particularl y community banks--are bracing for still more change, not the least of which is Community Reinvestment Act (CRA) reform and a renewed interest in fair lending laws. What's next: It's likely that more stringent CRA and fair lending requirements means banks will face mounting financial burden in pursuit of regulatory compliance.

But coping with regulation is nothing new to the banking industry. These days, Bill Clinton may feel somewhat indebted to Attorney General Janet Reno, who has been delivering his no-nonsense compliance message loud and clear to the banking industry. Among other banking-related victories of late, Reno has added a settlement with the Chevy Chase Federal Savings Bank of Maryland--for allegedly redlining--to the list. Other alleged fair lending offenders, all of which settled with the DoJ, include South Dakota's Blackpipe State Bank (1994), Mississippi's First National Bank of Vicksburg (1994) and Connecticut's Shawmut National Corp. (1993). "Fair lending is the issue of the decade. It has been, and it will be," says Robert P. Chamness, evp and general counsel of CFI ProServices, Inc., a regulatory **compliance** and **electronic** banking **software** provider based in Portland, OR. "When it comes down to it, it's all **CRA** and all marketing. When you look at the big cases brought [by the DoJ]--Decatur Federal, Shawmut and Chevy Chase--all three of those were **CRA** prosecutions."

Enacted in 1977 and implemented in the two years that followed, CRA read differently under its original proposal than what it is today, according to Chamness, who says that the retiring Senator William Proxmire (D-WI) intended it to be "motherhood and apple pie." It outlined what banks were supposed to do, not what they would be required to do through the imposition of additional paperwork and regulatory burdens. What the industry got, however, was something entirely different. "All of those objectives are laughable under current standards, which just goes to show you never trust Congress--and never, ever trust a retiring senator," he says.

Today, regulatory bodies are touting the proposed performance-based reform of **CRA** --a step beyond the current documentation drill that places

emphasis on census-based **reporting** and **analysis** . The American Bankers Association (ABA) estimates that proposed changes to **CRA** could total upwards of $100 million per year in **compliance** -related costs to the banking industry. Even more, regulatory agencies are expanding the scope of loans being examined for discriminatory patterns beyond real estate, including unsecured credit, commercial credit, and personal property secured loans.

While CRA may have been created as a "toothless sort of statute," bankers have been feeling its pinch ever since the late '80s. "One of the issues from a CRA standpoint is the tracking requirement that we have to do on loan applications that are approved, those that are declined, and those that are withdrawn," says Joye Haneberg, evp of $290 million-asset Emprise Bank in Wichita, KS. "The challenge is to capture that information and then be able to identify the census tracts where those properties are located. That's been a very major issue for us."

The same can be said for Home Mortgage Disclosure Act (HMDA), which applies to institutions with at least $10 million in assets and an office in a Metropolitan **Statistical** Area (MSA). This regulation requires that banks maintain and submit a loan application register (LAR) on an annual basis. Discussions are underway that HMDA reporting requirements may jump from yearly to monthly--a staggering leap for some community banks to make without first investing in the technology to support such a move.

But technology is swiftly becoming the great equalizer in the unfolding fair lending compliance drama, which means that all players--banks, consumer advocates and regulatory agencies alike--have access to the same data, says Chamness, who by most accounts is the banking compliance guru. "The merger of technology and data gives people a relative sense of performance and gives everyone access to the same information," he says. "Compliance, particularly in fair lending and CRA, is a database **analysis** [issue]. It's no longer just good forms, and it's no longer accurate calculations in terms of individual transactions. All of those are still integral parts of compliance, but it's not where the trend is."

The new age of compliance hinges on database **analysis** , where both banks and regulators are using the same means--technology--to achieve fair lending bliss. Banks have been placing an increasing emphasis on developing detailed customer information files (CIFs) that facilitate the cross-selling of products and services based on demographics and lifestyle, says Chamness, while regulators are deploying the same technology to do marketshare **analysis** to determine whether banks are meeting low-to moderate-income needs of communities.
By some estimations, small banks are spending two to three times as much--in terms of time, money and manpower--on compliance audit checking as they are on safety an and soundness. "The burden proportionately gets greater as you go down in size of assets," says Leland Wines, evp and CFO of $130 million-asset Bank of Walnut Creek in Walnut Creek, CA, a short-term residential construction lender. "The way the regulations are--and because they don't provide much relief for smaller banks--I don't think there's a lot that can be done. And because the disclosure requirements are the same for all of us, being able to automate as much as you can, not only for improved reporting but for cost savings, is the only way to go."

Admittedly, many community bankers say the regulatory news isn't all bad. The big push to remain compliant with CRA and **fair lending laws** has actually improved banks' overall operating procedures, prompting evaluation of underwriting practices, investment in mapping **software** to track geographic distribution of products and services in the community and more tightly focused marketing opportunities--and strengthening ties to the community.

At $230 million-asset MidAmerica Bank in Maplewood, MN, Rhonda Hammond, quality control/**compliance** specialist, is charged with jump-starting the bank's response to proposed changes to **HMDA reporting** procedures next year. The introduction of Census Trax Plus, a **software** package from

DataMap, Inc., is a key element of reengineering MidAmerica's **HMDA reporting** cycle. "Since we've looked at this new system, we see that it will be possible to keep up with it on a monthly basis," she says. "We know that having it monthly is going to force us into being very organized, and this is a way to be more efficient."

Prior to Census Trax Plus, which runs on a Microsoft Corp. Windows-based system, MidAmerica was using a program created by the Federal Deposit Insurance Corp. (FDIC). "The difference is that Census Trax is able to geocode," says Hammond, who adds that this will reduce the number of code-related errors.

The initial cost to install the Census Trax Plus program was $1,500, plus $150 for each of MidAmerica's eight branches. And as recommended by the vendor, the bank purchased a CD-ROM drive to maximize the efficiency of the system. "We did have to make sure that each of our branches had enough memory available on their machines and that everybody had Windows," says Hammond. "There were [other] costs to the bank because we had to install additional memory on a few of the computers in order to use the program bankwide."

While it may be true that technology is an equalizing factor, it's not always the saving grace. Many off-the-shelf compliance software packages, for example, are anything but user-friendly, and, therefore, are not the solution banks are looking for, says Wines. In the world of community banking, this problem quickly looms as dark a cloud as compliance itself. "The pricing issue is not severe. That has not been as great a stumbling block as the ability of novice computer people to use those [software] products," he says.

And Wines--a self-described computer nerd who heads up DP for the bank's headquarters office and its five branches--ought to know. He did lots of research and finally found a mapping software that enables him to plot out on a map where in the community he is making loans and from where he is taking deposits. Perhaps the most important aspect of mapping software is that it flags potential trouble spots before bank examiners find them.

With a Unisys Corp.-based mainframe computer and LANs that interface to it, Bank of Walnut Creek is using the mapping system, a product of Santa Clara, CA-based Atlas Graphics, to track deposit and lending activities across three different counties: Contra Costa (25 percent of which is minority, mostly Asian), Alameda and Solano. "We originally used a DOS-based system and have now switched to [Microsoft Corp.'s] Windows-based system. We order by census tract for the countries we operate in, so I have ordered census-based maps for three different counties," Wines says. "We get the maps with outlines of these counties and it divides [them] up by census tract. We have demographics that go with those census tracts as part of the system."

The demographics portion of the system enables Wines to color-code each census tract, marking minority percentage and income statuses, keeping a sharp eye on what's happening in low- to moderate-income areas, in each county. A geocoding feature of the Atlas Graphics system allows Wines and Peggy Herzog, vp and compliance officer/note department manager, to extract from the host all of the bank's loans by street address (street-based files were purchased separately and require a lot of memory). They can also do the same for their deposit activities. "Then, from our database, we pull our customer base and where they live. The geocoding software that's part of this map will merge my data file of our clients and plot them on a map, finding where they belong and putting little pinpoints on the map to show where each of these people are," says Wines. "Now we can produce a map that show demographic area by census tract, low- to moderate-income areas can be spotted and we can see whether we have any clients who live in those areas that either borrow or deposit money."

Wines is no stranger to making compliance-related investments. Bank of Walnut Creek was a beta site for CFI ProServices' Laser Pro, a loan documentation system, and Deposit Pro, a software system for Reg DD or Truth in Savings, and has been using the systems for several years. Although CFI has licensed Atlas Graphics' mapping software and plans to

link it to its Deposit Pro software system, Wines has already invested in the Atlas system and has no plans to make any changes.

No matter what the investment, however, technology alone does not ensure regulatory compliance. As the regulations stand--there are no hard and fast rules as to what percentage of business is acceptable in low- to moderate-income areas--the burden of compliance is not only costly for banks, but it is also highly subjective. Yet bankers are quick not to complain, admitting that the introduction of CRA and fair lending quotas would be far worse than what they are currently subjected to by examiners.

And if CRA undergoes reform, it could mean that banks must break down product types within census tracts--which, in the name of fairness, means even more record-keeping. Says Emprise's Haneberg, "The burden of regulatory compliance continues to be an area that we are crying for relief in. Just by the very essence of its charter, a [bank] is established to serve its communities. We feel very strongly that this is the reason for our existence. From a community bank's perspective, that's our lifeblood."

THIS IS THE FULL-TEXT.
COMPANY NAMES:
Bank of Walnut Creek (DUNS:03-732-9471)
MidAmerica Bank-Maplewood MN
GEOGRAPHIC NAMES: US

DESCRIPTORS: Community banks; Community Reinvestment Act 1977-US;
Regulation of financial institutions; Regulatory reform; Bank automation ; Software packages
CLASSIFICATION CODES: 8120 (CN=Retail banking); 4320 (CN=Legislation); 5240 (CN=Software & systems); 9190 (CN=United States)
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10/9/4 **(Item 3 from file: 15)**
DIALOG(R)File 15:ABI/INFORM(R)

00843604 94-92996

Wessex's Pro/Filer(TM) makes desktop mapping easy

Anonymous

Bank Marketing v26n3 PP: 49 Mar 1994 ISSN: 0888-3149 JRNL CODE: BNM
DOC TYPE: Journal article LANGUAGE: English LENGTH: 1 Pages
WORD COUNT: 627

1 ABSTRACT: The Wessex Pro/Filer Demographics Series is comprised of 5 CDs and contains all the data from the 82 CDs created by the US Census Bureau Summary Tape Files (STF) 1A and STF3A from the 1990 census. The product is designed for use with geographic information system technology, particularly mapping software.

2 TEXT: Wessex, of Winnetka, Ill., is making it easier for both large and small companies to enter the business geographics arena by offering affordable census data on CD-ROM.

3 The Wessex Pro/Filer Demographics Series is the company's latest data product for use in desktop mapping applications. The Series, comprised of five CDs, contains all the data from the 82 CDs created by the U.S. Census Bureau, Summary Tape Files (STF) 1A, or the "short form;" and STF3A, the "long form," from the 1990 census.

4 The STF1A diskette, entitled "Demographics," lists complete Census Bureau data that contains details about race, ethnicity, sex, age, and households type. The four remaining diskettes contain information from the more detailed STF3A long form.

5 The STF3A diskettes divide the long form data into four topical categories: Income, School/Work, Race and Households. This census report details the results of the long form, which is given to a 20 percent sample of the U.S. population.

6 According to Wessex's President Scott Elliott, "Pro/Filer represents a breakthrough in approaching the problem of accessing the huge volumes of information now becoming available. The old model said pay experts on a per-report basis, so you don't have to invest the time and resources to master the data sources in-house. The Pro/Filer model is designed to combine the inexpensive data delivery of CD-ROM technology with software [that makes it] simple to extract user-defined data subsets."

7 Wessex's product is designed for use with geographic information system (GIS) technology, particularly mapping software. A typical GIS includes a demographic database, a computer, digitized maps and software that pulls these elements together.

8 For example, Pro/Filer software compiles and analyzes custom demographic information. The user starts by selecting one of six government geographic levels, ranging in size from states to city blocks to Arbitron's ADI (Areas of Dominant Influence). The software user can then create a custom area, such as a sales or service territory, by using the appropriate variables. The custom area can be as small as a single block group of 1,000 people.

9 After the user selects the desired variables, the software formats a table at the selected geographic level. The tables can be manipulated by almost any spreadsheet, database manager or statistical package. Pro/Filer quickly computes sums, averages, and **normalization** by area or population. Customers can save the custom made lists for later modification and to create geographic reports.

10 GIS technology is being used by many industries as a way to mine for new markets. George Ator, president of Group One Research, Inc., a banking and healthcare consulting firm in the Pittsburgh, Pa., area, says his firm uses Wessex data for a variety of reasons. The data helps determine which

billboard locations to use to advertise specific banking and healthcare services and optimum hours for banking branches.

Fortune magazine's article "Mapping for Dollars," (October 18, 1933, pp. 90-96), reports that some other successful uses of GIS are:

* Site selection

* Target marketing

* Sales support

* Network analysis

However, according to the same report banks are using GIS technology to help them **comply** with various regulations. Norwest Corp. of Minneapolis is cited for its use of GIS as a means of complying with **CRA** . Karen Alnes, director of community reinvestment programs, said, "We'll use the system to look at where our loan applications come from, where we are making our approvals and denials, and to identify patterns as required by law. It's a vast improvement over putting pins in a map, which is essentially what we've done up to now."
The Wessex Pro/Filer Demographics Series and the accompanying software are priced at $395. Individual CDs, which cover each response category separately, come with Pro/Filer software and cost $95 each.

For more information about Wessex's CD-ROM data contact Bob Ruschman at Wessex, (708) 501-3662.

THIS IS THE FULL-TEXT.
COMPANY NAMES:
Wessex
GEOGRAPHIC NAMES: US

DESCRIPTORS: Demographics; CD-ROM; Census of Population; Geographic information systems
CLASSIFICATION CODES: 9190 (CN=United States); 9000 (CN=Short Article); 5240 (CN=Software & systems); 9120 (CN=Product specific)
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14/9/20 (Item 13 from file: 15)
DIALOG(R)File 15:ABI/INFORM(R)

01168030 98-17425
Will PCs revolutionize compliance? Compliance and technology: First of two parts
Barefoot, Jo Ann S
ABA Banking Journal v88n2 PP: 20-26 Feb 1996 CODEN: ABAJD5 ISSN: 0194-5947 JRNL CODE: BNK
DOC TYPE: Journal article LANGUAGE: English LENGTH: 4 Pages
WORD COUNT: 1880

ABSTRACT: Banks need to develop long- and short-term technology plans for compliance that lay the groundwork for maximizing efficiency and minimizing expense as changes brought on by technology evolve. Key areas of compliance to consider are 1. tracking regulatory changes, 2. compliance training, 3. compliance reference sources, 4. compliance audit and monitoring, 5. loan-data analysis, and 6. compliance management tools. Planning suggestions are offered for each key area. Computers are not a panacea for compliance management and will bring problems of their own. As part of overall technology planning, banks should establish compliance-related controls that will safeguard systems and data, prevent abuse and time-wasting by staff, and set the stage for flexible growth of technology systems.
TEXT: In the next few years, the way banks handle compliance will be transformed by technology. The process will attend staffing, risks, costs, and more. Banks need to develop long- and short-term technology plans for compliance that lay the groundwork for maximizing efficiency and minimizing expense as these changes evolve.

This article is an overview of how technology will revolutionize the compliance function itself. My next article will look at how computerization of other bank functions will affect compliance.

Tracking regulatory change

Many banks already receive regulatory updates via CD-ROM or diskettes that contain the complete banking regulations. Updates typically come monthly.

The regulatory databases can be scanned through keyword searches to find answers to questions more conveniently and reliably than using paper reference manuals. The update process is easier than to insert new pages and delete old ones from paper manuals.

Within the next few years, most banks will get information about regulatory developments even more conveniently with on-line services. These will provide up-to-the-minute information on regulatory and legal changes, as well as advice and resources to make compliance easier. The ABA's Bankers Electronic Network (BEN) is pioneering this field now. Already there is an array of affordable information available on the Internet, from the Federal Register to World Wide Web pages.

Some services (including BEN) will offer discussion groups and facilitated forums. In discussion groups, compliance officers will exchange questions and answers, suggestions, and frustrations. Some discussion groups will be managed by experts who add their advice and insights. The on-line forums are the equivalent of a seminar in cyberspace, in which an expert speaker presents material, and the participants ask questions on-line, with everyone able to see the questions and answers. While not fully replicating the benefits of in-person training, these forums will enable users to get access to top experts, including the chance to ask questions. [Jo Ann Barefoot will host such sessions on BEN.]

Planning suggestions:

* Get your compliance officer onto an on-line service soon to develop baseline knowledge. Also encourage compliance and other staff to become

conversant with these systems through at-work or home computers.
* Evaluate the available gateways to the Internet. Your state bankers association may be a current or planned gateway through BEN. You can also access information on the Internet through Compuserve, America Online, or Prodigy, or use one of the many "specialty access vehicles" that provide Internet access. Most banks that have not begun this will find it is much easier than they think, and amazingly inexpensive.

Begin to think through how you will distribute information to staff via the computer. Try to identify pass-through information you can share with all staff as is, without having to create something unique to your bank. Lay the foundation of hardware, software, and training needed for networking everyone who will eventually require access.

Computer-based training comes of age

Technology now makes it possible to use the computer as a powerful training tool conveying material designed to be interesting and useful in computer format. Its strengths include the ability to train just one person at a time effectively; to let each person learn at his/her own speed and on a personalized schedule; to provide tailored training modules and degrees of depth for specific job types and levels of experience; to update training easily and cheaply; and to test for knowledge and get an automatic record of mastery of material.

And amazingly, computers even have the potential to make compliance less boring. If you go to your local computer mart today, you will get (for less than you would have paid several years ago for a plain, green-screen IBM clone), a dazzlingly versatile machine prepackaged with CD-ROM that includes video and audio.

Most banks have few or no computers now with audio and video, but they can still use the down-scale version of increasingly effective and interesting training packages that are being created.

Planning Suggestions:

Inventory your machines to see which ones, if any, are equipped to use sound and video and whether you have enough to begin high-tech training now.

* If so, evaluate computer training providers to see which has the best material and selection. Remember to keep reassessing, as there will be rapid improvements in content and graphics.
* If not, plan future hardware and software purchases to lay the groundwork for delivering training electronically to more people. Consider using laptop computers for some of it and giving trainees the opportunity to work on the material on their own time.

Blending reference with training

The two functions discussed above--regulatory updates and training--underline banks' need for compliance reference material, both for in-depth information on the rules for compliance and legal staffs, and as policy and procedure guidance for staff throughout the bank. Today, the information comes to staff via manuals on bookshelves. Tomorrow, it will come through computer screens.

When that happens, manuals will increasingly merge with computer-based training. Training experts at large corporations are already recognizing that the computer blurs the distinction between training and reference material.

Big banks will customize these information systems, weaving them into other policy and procedures. (Big banks undergoing mergers and conversion to nationwide charters and computer systems will have the perfect opportunity to do so cost effectively in the next few years.) Small banks will buy affordable ready-made systems, as they buy manuals now.

Planning Suggestions:

* Lay the foundation of hardware, software, and training that will enable the bank to use this kind of information system easily as good ones become available.

* Evaluate sources of both books and computer training to see which can best combine the two functions in one as technology and products evolve.

Audit by laptop

Inside and outside compliance auditors will increasingly be equipped with laptop computers programmed to take in data, analyze the information, create work sheets, run quantitative reports, and facilitate the writing of narrative comments. The same will be true for bank staff who monitor compliance performance between audits and do daily or frequent double checking of data (such as Bank Secrecy Act reports and avoidance of truth in lending disclosure errors).
One small bank I work with uses an audit program that identifies violations and assigns risk ratings to them, or permits the bank to customize risk ratings to match existing audit systems. The program also notes completed tasks from earlier audits and examinations. The audit package is updated by the vendor when regulations change, and the bank can add audit or monitoring steps of its own.

The computer will also shift some of the review process away from the on-site audit or monitoring visit, toward off-site data reporting and analysis. The regulators are moving in this direction, and bank internal auditors will. too.

These changes will cut down on audit and monitoring time and make it possible to get a more comprehensive picture of performance. Functions performed on a sampling basis, with people hand-pulling files and filling out worksheets in pencil, will be able to run on 100% samples through automated review. This will improve the ability to see the complete compliance record of, say, loan officers, and thus to hold them objectively accountable for their compliance performance.

Another result of this process will be more overall compliance accountability in the line departments. Line managers will be expected to do the reporting accurately and will be evaluated on their results. Compliance officers will do less monitoring work, but will analyze more.

An important subset of these trends will be the increasing use of computers to do comparative file analyses for fair lending. Such systems are in use at many large banks and are evolving to produce more reliable information.

Planning suggestions:

* Have compliance staff coordinate with inside and outside auditors on the potential for automating compliance as part of larger audit automation plans.

Have compliance staffs brief information technology staffs and vendors on what data would be desirable to capture and analyze in ongoing monitoring and what systems can help with it.

Loan data analysis

Of all the functions **compliance** staffs perform, this is the one that is most **automated** today. Most banks have **computerized Home Mortgage Disclosure Act** and other lending data. Some banks still use these systems simply to geocode data for regulatory **reporting** purposes. Increasingly, however, banks go beyond this to buy or build systems that add demographic and even competitor data to the information base. They use this information facilitate planning for **CRA** , **fair lending** , and general marketing goals.

We expect to see major improvements in coming years with the addition of more mapping capabilities and much more useful analysis of the raw data. Also, the regulators may impact this area by jointly selecting one vendor's system for their own CRA and fair-lending analyses (probably in a customized version). Even now, the agencies individually are moving toward use of certain vendors' systems.

Planning suggestions:

* Ask your examiner which system, if any, is being used or tested in your regulator's CRA and fair lending examination process, and what they think of it. Consider buying the non-customized version of the same thing.

* Emphasize analytical power when selecting these softwares. Most banks today have fairly accurate geocoding and plenty of loan and demographic data, but they are not sure what to do with it. Think through what you want to know from your data, and then choose a provider that produces it well.

* Integrate CRA, fair lending, and marketing data systems. Too often, three separate systems and three different groups of people develop and use this information. It is more efficient to tie the three together

Compliance management tools

If your bank is not yet networked and using internal **electronic** mail, it probably will be before long. Ideally, **compliance** officers should be able to communicate with all staff by e-mail. In addition, banks with geographically dispersed locations should try to link their **compliance** and **CRA** staffs with each other via e-mail through wide area networks, linked local area networks, or the Internet.

In addition, computer-savvy compliance staffs should make good use of the tools becoming available for general business management, such as calendars and software for scheduling, time use tracking, project management, contact management, budgeting, and the like.

Planning suggestions:
* If your bank is not using e-mail, start using it.

* Have the compliance officer set up a communication system with key user groups on the e-mail system and with all staff. Use it for two-way communication, with both outgoing compliance information and instruction, and incoming questions and suggestions.

Plan hardware, software, and training to support e-mail and management systems over the next few years.

Computers considered

This overview probably makes me sound like a computer cheerleader, and to a great extent I am. However, computers are not a panacea for compliance management and will bring problems of their own. As part of overall technology planning, banks should establish compliance-related controls that will safeguard systems and data, prevent abuse and time-wasting by staff, and set the stage for flexible growth of technology systems.

My next column will look at new technologies that impact compliance, automated credit scoring and underwriting, and high-tech delivery systems.
By Jo Ann S. Barefoot, contributing editor. Barefoot is president of Barefoot, Marrinan & Associates, Inc., a financial institutions consulting form based in Columbus, Ohio.

THIS IS THE FULL-TEXT.
GEOGRAPHIC NAMES: US

DESCRIPTORS: Bank compliance; Bank automation; Technological planning; Guidelines; Future of banking

CLASSIFICATION CODES: 9190 (CN=United States); 8100 (CN=Financial services industry); 4310 (CN=Regulation); 2310 (CN=Planning); 6200 (CN=Training & development); 9150 (CN=Guidelines)

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17/9/9 (Item 5 from file: 15)
DIALOG(R)File 15:ABI/INFORM(R)

01068514 97-17908
CRA reform to spur tech investments
Marrinan, Michele
Bank Systems & Technology v32n7 PP: 22-24 Jul 1995 CODEN: BSEQD6 ISSN: 1045-9472 JRNL CODE: BSE
DOC TYPE: Journal article LANGUAGE: English LENGTH: 2 Pages
WORD COUNT: 996

ABSTRACT: Banks could begin investing more heavily in geo-coding, mapping, **report** generation and loan documentation technology as a result of revisions in the **Community Reinvestment Act** (**CRA**) and a new requirement for gathering and **reporting** small business and farm loan information. **CRA** revisions shift the emphasis of bank **compliance** from process- to performance-based **reporting** . The **CRA** continues to require banks to have a physical presence in areas they service and to gather and document data showing that they are making loans in low-to moderate-income areas. With **CRA** 's additional small business loan **reporting** requirement, the **compliance** process starts with capturing loan application data **electronically** . **Software** products used in **compliance** are discussed.
TEXT: UNDER THE REVISED COMMUNITY REINvestment Act (**CRA**) regulations, the emphasis of bank **compliance** has shifted from process- to performance-based **reporting** . That, in addition to a new requirement of gathering and **reporting** small business and farm loan information, could lead banks to invest more heavily in geocoding, mapping, **report** generation and loan documentation technology, say industry sources.

Despite the technological implications inherent in the new regulations, the rules themselves "really ignore the [emerging] technologies," says Robert P. Chamness, evp and general counsel for CFI ProServices, Inc., a **compliance software** vendor based in Portland, OR. Banks that are exploring home banking venues such as interactive TV and PCs may be entering potentially dangerous regulatory territory. "[The] emphasis [of **CRA**] is to keep banks focused on the old way of doing business," says Chamness. "[Regulators] are not being inconsistent because their view under this regulation all along is that physical presence and physical proximity in under-served areas is critical." He says most lower income area customers, for whom **CRA** was designed to serve, have little or no access to PC-based home banking solutions, which will likely raise controversy with regulators.

That aside, the new **CRA** regulations will continue to require banks to have a physical presence in areas they service, and to gather and document data showing that they are making loans in low- to moderate-income areas. And with **CRA** 's additional small business loan **reporting** requirement, the **compliance** process starts with capturing loan application data **electronically** , says Mark Winz, evp and director of marketing at FormAtion Technologies, Inc., a **compliance software** vendor based in Denver. This is particularly important, he adds, because **CRA** data includes not only loans made, but also loans denied.

FormAtion's App Publisher, set for release in Georgia, Florida and Tennessee this month, is an **electronic** loan application program that allows customer service representatives to **electronically** gather all required information and laser print the finished document. The program also generates required pre-closing lending disclosure documents in **compliance** with state and federal regulations, including **CRA** and the **Home Mortgage Disclosure Act HMDA**).

GeoPublisher, which will be released next year, is FormAtion's CRA **reporting** product, which produces the standard CRA and Home Mortgage Disclosure Act (**HMDA**) **reports** , and geocodes customer address information to a specific census tract, as required under the most recent **CRA** regulations. GeoPublisher features an optional mapping module so that

banks can produce geographical views of where loans are being made, and a hypertext help: facility that contains specifics on the **CRA** regulation itself (the new regs will be added for the January release). A self-testing module allows users to determine whether or not they are in **compliance** .

In keeping with the drive to integrate compliance systems, an automatic electronic feed sends information from App Publisher, as well as from FormAtion's Loan Publisher and Mortgage Publisher loan documentation programs, to GeoPublisher. All four of the systems are PC-based, running on stand-alone 486 PCs, LANs or WANs. App Publisher, Loan Publisher and Mortgage Publisher run on Microsoft DOS and IBM OS/2 operating systems, with graphic elements, but not a graphical user interface (GUI). FormAtion is researching GUI for future releases of the products, and GeoPublisher will be introduced in a GUI version.

CFI ProServices combines various regulatory components into Pro Active, a software program which runs on stand-alone PCs in a Windows environment and helps banks meet **fair lending** , **HMDA** and **CRA compliance** requirements. Users employ icons and pull-down menus to manually enter or download data from existing databases, geocode that data, perform **statistical analysis** and generate maps. Community information and trends can be displayed down to the street block level, and **reports** can be used to flag areas that may be lagging behind acceptable loan levels to **compliance** requirements.

CRA's new reporting requirements for small business and farm loan data could have substantial reporting implications for some banks. Meridian Bank, for example, grants tens of thousands of small business loans each year. The $14 billion-asset subsidiary of Meridian Bancorp, Inc., is still evaluating the best way to report on these loans.

Joan Brodhead, director of the Meridian Community Partnership, which administers investment in branch communities, says the bank will most likely use its present system or one very similar to it in complying with the updated CRA regulations. at system runs the gamut of lending activities, from the Automated Credit Application System (ACAPS) from American Management Systems (AMS), of Fairfax, VA, to a credit scoring process, also from AMS, Z4Plus geocoding software from R.L. Polk & Co., of Cincinnati, OH, and reporting features from the Microsoft Corp. Office suite of spreadsheet and word processing programs. And Meridian has developed an in-house report rating process that pulls demographic, mapping and competitive information from a variety of outside providers. The systems are mainframe-based, with the exception of the Microsoft suite, which runs on 486 PCs.
Independent banks under $250 million and those owned by a holding company with assets under $1 billion have less reporting burden than banks like Meridian. The new regulations provide for a streamlined examination process that exempts such institutions from these additional data gathering requirements. "I have a sense that [small banks] find a streamlined data collection and reporting requirement attractive," he says. But Chamness also suggests that small banks were 'a little duped" in terms of CRA's implications overall . "When they're going to be examined, they are going to be examined on issues like how well have they penetrated their areas with their lending activities and how do their activities match up with the demographics of the area. The smart banks are not going to want to totally turn all of that over simply to regulatory whim."

Chamness further argues that technology is important for banks in determining if they are in compliance. "How do you know where you are in accomplishing your plan? The answer is technology," he says. "Technology will allow you to measure performance and give you all of the yardsticks that you know or need to know."

THIS IS THE FULL-TEXT.
GEOGRAPHIC NAMES: US
DESCRIPTORS: Community Reinvestment Act 1977-US; Computerized loan originations; Bank compliance; Document management; Financial reporting; Software packages

6/9/6 (Item 6 from file: 15)
DIALOG(R)File 15:ABI/INFORM(R)

00631524 92-46464
Being Systematic About CRA Can Boost Examiner Ratings
Broome, J. Tol, Jr.
Bank Management v68n8 PP: 42-45 Aug 1992 CODEN: MBAAA5 ISSN: 1049-1775
JRNL CODE: BAD
DOC TYPE: Journal article LANGUAGE: English LENGTH: 3 Pages
WORD COUNT: 2237

ABSTRACT: The Community Reinvestment Act (CRA) requires **bank** regulators to monitor financial institutions to ensure that they meet the credit needs of the communities they serve, including low- and moderate-income neighborhoods. Maintaining a good file system can help ensure an acceptable CRA rating. For a one- or 2-town community **bank** , one set of CRA **files** in a **centralized** location will probably suffice. For larger **banks** with multiple locations, the best approach is to maintain a separate set of CRA files for eacy city or town with a **bank** as well as a **bankwide** set of files to be maintained by the corporate CRA **compliance** officer. Files that should be included in the filing system are: 1. CRA Plan, 2. CRA statement, 3. public comments, 4. board of directors, 5. related lending, 6. fair lending policies, 7. special projects and government programs, 8. branch openings and closings, 9. community involvement, and 10. outreach and ascertainment.

TEXT: Since its inception in 1977, the Community Reinvestment Act has caused many a sleepless night for bankers all over the country. Regardless of size, age or location, all financial institutions have been touched by CRA guidelines, and many banks have not relished these close encounters.

The CRA requires bank regulators to monitor financial institutions to ensure that they meet the credit needs of the communities they serve, including low-and moderate-income neighborhoods. During compliance examinations, the banking agencies are required to assess bank performance in meeting low-and moderate-income credit needs, consistent with the safe and sound operation of an institution.

Probably the biggest CRA change in recent years pertains to a shift in the burden of proof, a modification instituted in April, 1990. Prior to that date, a bank could take a relatively passive role in meeting CRA requirements by simply letting the "proof be in the pudding," with the pudding being performance. Banks now, however, must not only be in compliance with CRA performance measurements, but also must be readily able to demonstrate their compliance. Bank examiners nowadays will not provide much help to banks seeking to substantiate their CRA compliance--that is now the bank's responsibility.

According to the Federal Financial Institutions Examination Council, the CRA was enacted "against a backdrop of concern over unfair treatment of prospective borrowers by financial institutions and other unwarranted geographic differences in their lending patterns."

To add public scrutiny to regulatory fiat, banks must now publicly disclose their CRA ratings, a requirement that can be a public relations challenge for institutions receiving unfavorable CRA scores. The CRA also requires bank agencies to take into account an institution's record in meeting low-and moderate-income credit needs when considering applications for expansion and mergers; consequently, many banks have had mergers delayed due to poor CRA showings, and some have even had merger plans permanently blocked.

FILES: PRIORITY TARGET

What can be done to comply with CRA guidelines to help ensure an acceptable CRA rating? For starters, focus on the CRA files--usually the first thing a compliance examiner asks for during a CRA examination. Thus it stands to

reason that a good filing system can sometimes mean the difference between a "Satisfactory"(2) rating and a "Needs Improvement"(3) designation.

Here's a filing system that can be used by CRA compliance officers for banks of all sizes. It is "user friendly," and it corresponds closely to the factors used by compliance examiners to rate banks on CRA performance.

For a one-or two-town community bank, one set of CRA **files** in a **centralized** location (e.g., with the CRA **compliance** officer) will probably suffice. For larger **banks** with multiple locations, the best approach is probably to maintain a separate set of CRA files for each city or town with a **bank** as well as a **bankwide** set of files to be maintained by the corporate CRA **compliance** officer.

A note of caution. While each bank, regardless of size, will have one CRA "expert" who serves as CRA officer, it is important that one or more other members of the staff also be familiar with CRA and the filing system and be in a position to backup the primary CRA liaison.

Whether each bank has one set of files or 100, it is recommended that they be organized as follows:

* CRA PLAN. Include three documents. First, a "CRA mission statement" should describe the bank's commitment to serving its target community and should outline how it plans to address community needs. For example, a mission statement might read:

"ABC Bank is committed to serving the needs of the entire community, including low-and moderate-income areas. We believe that we can fulfill this commitment, consistent with requirements for safety and soundness, by, implementing four simple guidelines."

The mission statement might also state that the bank: * will seek to understand the credit needs of its markets; * will respond with the right products; * will inform low-and moderate-income borrowers that these products exist; and, * will work with all of its employees to instill the importance of serving the entire community.

Second, the CRA plan file should include the bank's CRA policy, taken directly from the bank's policy and procedures manuals. It should address the bank's stance on key areas of CRA compliance, including the role of the board of directors, the responsibilities of the CRA officer, the review of public complaints, relations with community groups (including charitable contributions), technical compliance and the bank's system to monitor CRA performance.
Third, this file should contain the actual CRA plan, which should provide specific guidelines for the bank to follow in attempting to implement the mission statement and policy. A typical plan would cover actual lending programs to be employed (internal as well as joint programs such as community redevelopment loans), basic banking services (i.e.,low-cost checking or free direct deposit of government checks) and relations with the community, including planned communications. The more specific the plan, the better. It's also important that the plan be adaptable. On an annual basis (or more often), the plan should be reviewed and revised, as needed, to meet the ever-changing needs of the communities served.

* CRA STATEMENT. The CRA statement provides a bank with the opportunity to "toot its own horn." It should cover: * the types of loans provided for community reinvestment; * the number and dollar amounts of CRA-related loans made; * efforts to determine community needs; * community involvement on the parts of key employees; * the process for monitoring and assessing CRA performance; and, * the commitment of the board of directors to CRA. Many banks use the CRA statement as a marketing tool to reach community organizations and to market the bank's products and services.

* PUBLIC COMMENTS. Every bank must maintain a "public comments" file in each of its branches. Simply stated, this file provides a conduit for the communities served to submit written statements (positive or negative)

about the bank's CRA performance. These files are to be "fair game" for the public to peruse at any time.

* BOARD OF DIRECTORS. One of the new "hot buttons" for CRA examiners is the involvement of the bank's board in the establishment of CRA policy and in the monitoring and assessment of the bank's CRA performance. This file should include reports on board discussions pertaining to CRA as well as any general CRA comments or criticisms made by board members outside of board meetings. If bank policy prohibits board minutes from being copied and/or stored outside a designated area (i.e. the bank vault), the file should at least allude to these minutes.

The CRA statement must be reviewed and approved at least annually by the bank's board. Additionally, each bank should form a CRA committee to meet at least quarterly to discuss CRA performance, related lending, call programs and efforts to ascertain community needs. The committee should also play a major role in establishing an overall mission for the bank that addresses the institution's commitment to serving the credit needs of the entire community.

* RELATED LENDING. This file is one of the most crucial. While bank examiners will not provide a definition for a "CRA loan," they do expect banks to define and document CRA-related lending efforts specifically. With the burden of proof now on banks, it is not enough to simply be making a representative number of CRA-related loans; rather, the bank must also be able to show the examiner that these loans are being extended. Most banks have the capability to simply create a special CRA code for all new loans, indicating a "yes" or "no" for CRA when the loan is booked. This enables a bank to produce a monthly printout reflecting a given month's activities, as well as a point-in-time report reflecting all CRA-related loans in a bank's portfolio. Examples of "CRA-related loans" might include:

* loans to individuals earning less than 80% of the local median income; construction loans for low-and moderate-income housing; and, * small-business loans. The "related-lending" file is also the appropriate place to store any commitments made to low-and moderate-income borrowers that are ultimately not accepted.

* FAIR LENDING POLICIES. This file is intended to reflect bank compliance with antidiscrimination laws and regulations, including fair lending and fair housing laws. It should include information from the loan policy manual dealing with fair lending and fair housing. Additionally, training efforts by the bank to ensure against discrimination by bank employees should be documented here.

Since compliance examiners will review loan denials to ensure compliance with Fair Lending Policies, inclusion of or reference to denials in this file is also recommended.

* SPECIAL PROJECTS AND GOVERNMENT PROGRAMS. Such information can score big points with CRA compliance examiners. In this file, a bank should include evidence of any special loan programs it has instituted to meet the needs of low-and moderate-income borrowers. Also document bank participation in any joint venture-lending efforts.

Be sure to record participation in government loan programs in this file. Small Business Administration (SBA)-guaranteed loans as well as agricultural lending are looked upon as favorable CRA participation, as are government-guaranteed loans to home buyers. With SBA and ag lending, it is a good idea to document how many loans are extended to start-ups and how many jobs have been created as a result of these loans.

* BRANCH OPENINGS AND CLOSINGS. CRA compliance requires banks to consider potential repercussions to low-and moderate-income individuals when planning branch openings or closings. Consequently, it is important to be able to demonstrate that CRA guidelines have been considered, particularly before a branch is closed. Specifically, banks should document in great detail that actions to close branches have taken into account demographics

and the opinions of local citizens and community groups in addition to the projected financial impact on the affected community.

Of course, this file can also be used effectively to highlight any branch openings in markets that will serve low-and moderate-income residents.

* COMMUNITY INVOLVEMENT. Examiners are now much more selective regarding what "counts" for community involvement. Affiliation with service clubs and social groups no longer score any CRA points, unless the banker is involved in specific projects sponsored by such groups that focus on the needs of low-and moderate-income segments of the community. In general, only include documentation for organizations and activities that pertain to low-and moderate-income individuals and/or small business. Examples of CRA-related community involvement include redevelopment commissions, small business advocacy groups, certain Chamber of Commerce committees, low-and moderate-income housing committees, hospital boards (particularly for community hospitals providing indigent care), Job Training councils, HUD programs and Junior Achievement.
* OUTREACH AND ASCERTAINMENT. This file is designed to track one of the new key areas for CRA compliance. Document charitable contributions, CRA-related calling efforts by loan officers and CRA-related advertising efforts (i.e., ads for SBA loans, ads in minority newspapers). Also document any direct efforts to assess community needs. Examples of needs assessment include bank-sponsored roundtable discussions, questionnaires or surveys sent to low-and moderate-income areas and follow-up efforts subsequent to these initiatives.

* GEOGRAPHIC DISPERSION OF LOANS. Maps of appropriate market areas should be kept in this file, as should information relating to geocoding of loans. Geocoding involves tracking specific locations of loans in a portfolio, usually by census tract. Because of their size, most banks keep geocoding maps elsewhere; however, this file should reference their location.

Some banks have the electronic capability to capture and track geocoding information internally; however, many smaller banks (and even some larger ones) outsource the geocoding process to avoid the time and expense of creating their own database. In the latter case, appropriate reference should be made in the file.

Examiners also expect banks to analyze the geographic dispersion of their loans. On at least an annual basis, banks need to review geocoded data to address potential "redlining" and to analyze bank performance in meeting local credit needs.

* CRA SELF-ASSESSMENT. Self-assessment is a critical part of CRA compliance today. This file should be used to document areas in which a bank deems it needs improvement in adhering to CRA guidelines. Compliance examiners will look for perceived strengths and weaknesses, as well as steps being taken to address shortcomings. Prior regulatory comments pertaining to CRA, as well as reports on bank efforts to address these concerns, can also be housed here.

* REGULATORY BULLETINS. Mailings from bank regulatory agencies ought to be grouped centrally. Experience indicates that filing correspondence chronologically rather than by subtopic is recommended. Regulatory bulletins serve as general road maps for effective CRA compliance.

* WORKSHOPS AND SEMINARS. Attending informational programs can help bankers keep up with current CRA trends and guidelines. A separate file to document attendance makes for easy reference, and also demonstrates the bank's commitment to staying current on CRA issues. Given that examiners prefer that information gained at such programs be shared within the bank, this file can also be used to document such efforts.

* OTHER. What filing system would be complete without an "other" section? Articles on CRA, information from vendors selling CRA-related services and other information that doesn't quite fit elsewhere can be filed here.

1ST STORY of Level 1 printed in FULL format.

United States Banker

April, 1991, National Edition

SECTION: Pg. 31

LENGTH: 2274 words

HEADLINE: Banks Zoom In On Customers

BYLINE: by Kim Ann Zimmermann

HIGHLIGHT:
Bankers are creating snazzy marketing tools by combining their own data with information provided by outside firms.

BODY:

Hard times are forcing banks to be more discriminating in their marketing efforts, and increasingly they are turning to highly sophisticated direct-mail selling. Rather than blanketing the market with shotgun-like advertising, they are turning to the equivalent of pin-pointed, laser-bomb technology.

The possibilities are greater than ever, thanks to the detail being provided by the 1990 Census. Census data is beginning to trickle out, and it will be several years before its full power is available to the market. But when it is, banks will be able to get amazingly precise data for their marketing needs.

For example, they will have access to information about family income, employment and the number and ages of children for groups as small as 65 households, down from 300 households today.

Not surprisingly, banks are excited about the potential. "It will be Eden," says Byron Butler, director of marketing for Valley National Bank in Phoenix.

Combining Data

But banks aren't standing around waiting for the Census data. Banks like Valley have begun to combine information from their own files with information provided by outside experts. The information provided by outsiders gets down to such specifics as the magazines people read, the cars they drive and where they shop.

This data is combined with information banks cull from their own files, such as the kind of accounts a customer maintains and the balances he holds.

Being able to precisely target relatively small groups of potential customers is becoming more and more important because large-scale direct-mail marketing is becoming increasingly expensive: Costs are going up and response rates are going down.

The sharp rise in postal rates this year is having a major impact on mail

marketing. And for efforts such as credit card solicitations, the response rate has dropped because of supersaturated markets. All this has added substantially to the cost of massive direct-mail campaigns. A general mailing, for example, is considered successful if it gets a response rate of 1 or 2 percent, while the response rate for a targeted marketing campaign can be 10 percent or more.

Cost Efficient

Net-net, targeted marketing often is far more cost efficient even though the cost of sending out each piece of mail usually is significantly more expensive than for mass mailings.

Mass mailings have a "super-low response rate," says Robert H. Shaw, who runs targeted marketing activities at Home Savings Bank of America in Irwindale, CA. He prefers targeted campaigns.

And in Philadelphia, Jeffrey Johnston, a vice president for the $ 23.5 billion CoreStates Financial Corporation, says "we're doing a lot less" big mailings. He says a larger part of his advertising budget, including for mass-media advertising, is going into targeted marketing.

But it takes a substantial investment to be able to wage a sophisticated targeted marketing campaign. First, a bank must get its own data house in order, moving information about households from mainframe computers to a form that can be used by personal computers.

Some firms specialize in helping banks do just that. Among them is Marketing Profiles, based in Maitland, FL. Thomas Collins, marketing director, says business with banks is good, but that banks still lag behind many other industries in using this technology.

Many medium-sized banks shy from targeted marketing because of the cost of preparing the "marketing central information files" that are needed. It can cost anywhere from $ 20,000 to $ 400,000 -- or more -- for a bank to set up an MCIF file. Once the file is established, it is updated monthly or quarterly, though at very little cost.

Mailing Lists Can Be Costly

Also, buying a mailing list, particularly one that provides a lot of information on the customer, can run into the tens of thousands of dollars.

"I'm surprised that banks are not more aggressively pursuing this," says Collins. "The folks at Kellogg's know who eats Corn Flakes. Why shouldn't a bank know who its customers are?"

But most banks believe it is too time-consuming, and even more expensive, to do it themselves.

"It is just too involved for us to do on our own," says Susan Siegel, research manager for Key Banks, a $ 20 billion-asset institution in Albany, NY. As a result, Key turned to Harte-Hanks Data Technologies, a marketing-files firm in Billerica, MA, to create its marketing central information file.

Key then went to Claritas Corporation/Accountline to provide demographic information about its customers. For example, the 10 households in the 08520-1142 ZIP + 4 ZIP are classified as "blue blood estates" under Claritas' Prizm geodemographic coding system. This description is based on such data as the magazines these households receives (Barron's) and the cars they drive (Jaguars), available from private sources, as well as some general information on ethnicity, income and profession available from the Census Bureau.

Key Banks is using this data for marketing new products to its own customers.

Key Banks is not alone in wanting more lifestyle information about customers. "We are getting a lot more requests for lifestyle information to be added to the MCIF file," says Michael Newes, senior vice president of marketing and sales, OKRA Marketing Corporation, Tampa, FL. Other MCIF vendors also report that more banks want to add this so-called lifestyle data to their files.

"Originally, the MCIF file just helped the bank sort out its own customers. Now, it is being used to help the bank go after new customers," says Newes.

However, the thrust continues to be to target current customers because of the costs. "It is about five times more expensive to go after new business," says Andrew Kamlet, manager of marketing at Customer Insight Company in Englewood, CO. The bank develops marketing customer files for banks.

So far, Key Banks has not used the system to target non-customers, but it eventually will do so, says Clinton Cave, senior vice president for marketing.

Assuring Compliance With CRA

In the meantime, Key Banks is using its targeted-marketing files in interesting ways, such as assuring that it is in compliance with the Community Reinvestment Act. "We look at our loan penetration in low-income areas to help us stay within the guidelines," Cave says.

It also is developing its own profitability-of-customer model based on the information in the MCIF files. "We're going to be taking all of our customers and giving them a 'grade' based on how profitable they are," says Cave. The grades will go from A to F.

Once the project is completed -- hopefully by the end of the year -- the bank will analyze the results and try to bring each customer into a higher grade. "We'll send out the appropriate direct mail pieces and hope something sticks," Cave says.

Like Key Banks, Home Savings Bank targets primarily its current customers.

But when opening up new branches, the bank is starting to use targeted marketing to seek out the most profitable customers.

To find those people, the bank first turns to its marketing files, which were developed by Innovative Systems in Pittsburgh, and maintained by the bank in-house. The bank then adds lifestyle information from Donnelley Marketing, a division of A.C. Nielsen & Company, best known for its television ratings system.

Home Savings looks at this data to get a general sense of the kinds of customers that are most profitable.

"Once we look at our current customer mix, find out which types are the most lucrative, we try to market that kind of customer for a new branch," says Shaw.

Don't Get Too Complex

While he sees many uses for targeted marketing, Shaw says there is sometimes a tendency to become too discriminating when doing mass mailing. "We were doing some mailings where we would send out a piece of mail based on the customer's response to the first piece of mail. At times, we had defined the audience too narrowly. We've kind of backed off from that, and we've become a little less complex in our approach," he says.

Indeed, using the marketing file to determine the bank's most profitable customers is on the minds of vendors as well as bankers. All of the major marketing file vendors say they are working on providing banks with the capability to determine their best customers.

James Langenwalter, assistant vice president for market development at Innovative Systems, says profitability is a hot topic among bank marketers. He says ISI is working on adding a profitability model to its MCIF system.

"Everyone wants to cross-sell customers, but why sell customers unprofitable products? What you want to do is turn unprofitable customers into profitable customers."

As an example, he says a bank might have a husband and wife who maintain a checking account and hold a CD -- not a very profitable relationship for the bank. But marketing information shows that the couple have owned their home for 20 years and have a college-age son.

"This," says Langenwalter, "is the golden opportunity to get them some information on a home equity line of credit" -- the product that could turn their relationship with the bank into a profitable one.

While banks have long sold credit products by direct mail, some are starting to use a targeted approach to selling other products.

Thomas Swithenbank, president of Harte-Hanks, says banks have been fairly aggressive in targeted marketing credit cards and home equity loans, but that most banks have taken a "haphazard" approach to marketing deposit accounts. "But that is changing," he says.

Indeed, targeted marketing is being used to sell deposit accounts at Valley National Bank. " Tax season is a great time to sell IRAs (individual retirement accounts) to customers in high income brackets," says Valley's Butler.

For the past three years, Valley has been using a marketing files system prepared and maintained by Customer Insight, with lifestyle information from Equifax Market Decision Systems in Encinitas, CA.

For 10 years before that, the bank had compiled some targeted marketing files internally, but each time Butler needed information, he had to make a formal request to the management information systems department because the information was on the bank's mainframe.

"We needed the information at the PC level so that the marketing people could play with it," he says. Butler chose the Customer Insight system because it had the capability of tracking responses to direct mail pieces.

"A system isn't worth anything if it can't track the responses," he says.

Partly for that reason, Butler prefers using direct marketing -- and targeted marketing, in particular -- over mass media.

And he expects targeted marketing to become even more precise. Currently, information at the ZIP 4 level is limited, mostly general lifestyle information, he says. It doesn't provide the nuts-and-bolts information he seeks, such as the potential customer's profession and income, he says.

"Most of the information is at the block group level, and you are still making assumptions about large groups of people that aren't always true," Butler says.

While profitability is still elusive, in several years banks will be able to use all this marketing information to predict consumer behavior, vendors say. Once more information is available at the ZIP + 4 level, they say, this will be possible.

"The trick is to get people aware of your bank and what you do before they decide they need a particular service," says OKRA's Newes.

SMALLER BANKS TAKE OFF

Marketing-oriented central information files, which concentrate on households rather than on individual accounts, have been the domain of the larger banks. But now some smaller banks are beginning to sort their customer files by household.

NCR Corporation of Dayton started offering MCIF database capabilities to its service bureau clients last September, and there are now 200 banks using the system. NCR's service bureau clients typically have $ 100 million to $ 500 million in assets.

Bradley Luckhaupt, marketing director of NCR's Data Services Division, says the product grew out of customer demand. "The smaller banks need MCIF files every bit as much as the larger banks, and they were asking us to include this capability as part of our service bureau offering."

Other MCIF vendors also report increased interest from smaller banks. "The small to mid-size banks are taking off as they realize they need this information to compete," says Michael Newes, senior vice president of sales for OKRA Marketing in Tampa, FL.

PULLING THE CAMPAIGN TOGETHER

Several firms that compile market-oriented central information files are getting into the consulting business: helping banks figure out to whom to mail, what the pieces should say, and other aspects of their direct marketing campaigns.

Early last year, Innovative Systems of Pittsburgh established a separate division for offering advice on direct mail campaigns.

"We wanted to go beyond just cleaning and consolidating the bank's data," says Donald Yasinsky, a spokesman for Innovative Systems, which formally entered the consulting business early last year.

And Thomas Collins,marketing director for Marketing Profiles in Maitland, FL, says his firm is also offering consulting services. The price is right -- it's free, at least for the time being.

"We help them determine the target segment, the best dates to mail, et cetera," Collins says.

GRAPHIC: Picture, no caption, (c) DON BOUSQUET, Courtesy Hartford Courant

LANGUAGE: ENGLISH

6TH STORY of Focus printed in FULL format.

The Magazine of Bank Management
(formerly Bank Administration Magazine)

March, 1990

SECTION: Pg. 26

LENGTH: 2242 words

HEADLINE: Integrated Systems

BYLINE: By Clinton R. Swift, Technology Editor

HIGHLIGHT:
Bankers want software that makes a difference in the market.

BODY:

The "graying" of software developed to meet the needs of financial institutions a decade ago is frustrating bankers' desire to seize the opportunities presented by changing regulations and advances in computer processing power, storage and communications.

Patched, stand-alone applications written in different languages, using multiple file-access methods and report writers, and designed to accommodate passbook savings accounts and 30-year fixed-rate mortgages cannot help bankers meet the need to be agile in the financial services market of the '90s.

Today, strategic banking systems are being created with built-in customer and product profitability capabilities to enable banks to design, price and deliver services quickly and profitably to highly segmented markets.

Strategic Systems

In such strategic systems, the DDA, loan and other applications are "integrated" via a common software architecture and built around a single central information file (CIF). These systems can help banks track entire customer relationships, keep up with compliance requirements, provide dramatically faster customer service, and deliver more timely, accurate and comprehensive data to support decision making.

John McCoy, chairman of Banc One, believes the next generation of software will separate the players in financial services. But he has estimated that the new integrated systems could cost $ 20 million and that the cost will be prohibitive for most banks under $ 10 billion in size.

While the opportunities and challenges of the '90s face large and small banks, alike, the integrated solutions available to them differ. Smaller banks can find "turnkey" solutions from a variety of vendors that provide integrated or at least closely "interfaced" applications. But managers of some of the largest banks say that a similar solution for the more complex and greater capacity requirements of their institutions has not emerged.

One third-party processor and software developer that is positioning itself to deliver that capability to large banks is Dallas-based EDS. EDS has teamed up with Banc One and Norwest Corp., Minneapolis, to produce an integrated system at a cost that has been estimated at $ 75 million.

"The most significant problem driving the focus on integrated software stems from the evolutionary process by which information management evolved in banking," says John Wolfarth, a senior banking specialist at EDS. "The systems, the information management organization, and bank organization tend to be based on separate applications that have a maze of interfaces among themselves and with the outside world.

"Although banks automatically espouse customer information as a critical success factor, day-to-day decisions and pricing strategies are usually based on individual application -- loans or deposits -- rather on the total relationship the customer has with the bank," Wolfarth says.

Brian Phillips, executive vice president, Norwest Corp., says his bank joined the Banc One-EDS effort because neither its current software nor any off-the-shelf system could be found to adequately support senior management's strategic vision of becoming an even larger superregional. Phillips believes that the costs associated with such massive projects will dictate that the solutions be industry ones, resulting in software that every big bank in the nation might want to buy.

The joint venture will have long-term impact on the way bank data processing departments are organized, according to David Van Lear, president of Banc One Services Corp.

"We have checking account specialists and savings account specialists and installment specialists and commercial loan specialists," Van Lear says. "With the new architecture, we're going to need database administration specialists and people who are skilled in CASE (computer-aided software engineering) techniques to help with the modeling and to implement changes, irrespective of applications. It is going to have a major impact on the way we are structured within the DP company."

New Shape for Software

Programming principles behind the database-centered approach have changed software systems dramatically from those produced in the '70s.

Business code is separated from technical code, so programs can be modified to meet changing business requirements, without the need to rewrite most of the program. Applications are becoming "parameter-driven," so mid-level managers can model new products without the help of a programmer.

The common architecture underlying the modules system helps guarantee that different applications can "talk" to each other and to the CIF. The common heritage also means that users can learn a single "interface" and be able to obtain the information they want from multiple sources. Further, it frees the information systems department of the need to breed specialists in each of the

individual applications running in different bank departments.

"The way we're building the product with EDS, we have a common database and a set of functions that operate on the data to deliver a product," Banc One's Van Lear says. "When you're posting an account, the code required to execute a function is the same whether you're posting a DDA account, savings account, or an installment loan. We want to define these functions and build them once.

"Current applications are vertical, but in the future, they will be more horizontal. We will have shared functionality across them, and then we'll be developing products rather than applications."

Mid-Sized Solutions

The best of the turnkey solutions for mid-sized and community banks involve the same modern programming techniques and tools that larger systems do.

"We're in an expansion mode," says George Blake, senior vice president for data processing at $ 285 million Bank of the Hills, Austin, TX. "We added two branches during the last 18 months, and we're planning to add two during the next 12."

To cope, the bank, whose high visibility in the market belies its size, chose the Silverlake system from Jack Henry & Associates, Monett, MO.

Blake says that using the system makes it clear that the applications were developed from the outset to work together. "With our last system, each application was unique," he says. "From a DP standpoint, that was bothersome -- you had to be an expert on each."

The integrated approach has similar benefits for end users. "The same commands work across all applications," Blake says. "The fact that Silverlake is parameter-driven allows great flexibility on the user side. The end user is free to customize products and develop new ones. Previously, that required a programmer to make the changes and recompile the code.

"The same type of parameter files that drive the loan application drive the checking application. Users feel they have a lot more power to change things. Instead of putting in a request for a new product that might be fulfilled several months later, it's one-day, on-the-fly turnaround."

Blake credits the integrated software with relieving the data processing department of the responsibility for balancing applications before updates to ensure that everything would post correctly. He says that the department was able to reduce staff by one employee, despite proof-of-deposit activity growing at 40%.

Management Reporting

Integrated systems also help management monitor a bank's financial condition. "We were looking for a system that could integrate all our applications now and in the future, not only from the teller terminal but also for management reporting," says Creston Harris, senior vice president, First Federal Savings and Loan of Rockford, IL.

First Federal uses the MISER2 "total banking system" from Newtrend, Orlando, FL. MISER2's integrated general ledger keeps key data in a single place, Harris says. For daily or monthly reports, the system extracts the data it needs from the savings application and then extracts what it needs from the mortgage application and puts it together. "Information is more accurate, and you get it more quickly because there's less manual intervention."

Harris says MISER2 gives the institution flexibility to price products such as checking accounts on minimum balance, number of transactions, flat service fees, cost per check, and other criteria.

"Through CIF-type applications, we're getting to the point where we can price a relationship, not just a product," he says. "We can look at a whole portfolio and see whether it's making money.

"Sometimes you get information you never had to deal with before," he adds with a laugh. "Now that we can analyze some things, we can't just assume they're making us money. That's what management's job is -- to manage that information."

"Integrated" has its limits, though, argues John Capobianco, vice president/marketing of software giant Computer Associates. It shouldn't mean a single, monolithic piece of software. Capobianco is a champion of the "integrated modularity" of his company's Infopoint series of applications.

"We try to guard against the 'all or nothing' thought because it causes havoc within an organization as it converts to a new system," Capobianco says. "Our products can stand alone, but they complement secondary products. The deposit system is designed to handle accounting for individual accounts. If you want extended service charge analysis or profitability analysis on an account, there's a place on the file or record definition or in the product setup where you can specify that. Then the deposit system spools a set of data in the format needed by the profitability system and passes it to that application."

Software Building Blocks

Modularity and Computer Associates' commitment to driving communications among its applications permits banks that use the Infopoint applications to buy the best software for their needs and to integrate it with Computer Associates software. Since Infopoint is a series of stand-alone products (designed to be integrated), banks don't have to bring all applications on line at once, permitting them to reduce cost and risk.

The modular approach requires extra management attention by the software vendor, however, to make sure that development groups are working to a common standard. Capobianco wants computer screens to look the same to users across the company's products. But the modular approach also allows the vendor to field a team that can become expert in one aspect of the bank's needs, without needing to become an expert in everything that a bank does.

The Master Financial System (MFS) from Computrol, Chesterfield, MO, typifies other technical aspects of today's integrated systems. MFS uses modern programming practices, such as separating data from the functions performed on

data, and modern tools, such as fourth-generation languages and CASE software.

Computrol President Robert Parks says his company saw a void in application software for financial institutions 10 years ago, but also saw a problem. "We figured we'd have to write 3 million lines of code to accomplish what banks wanted."

Traditionally, applications were written with data definitions embedded in the program. By isolating the data from the function, MFS uses key kernels of code -- up to 75% of each function -- over and over. "A new account function on the loan system is the same as the new account function on the checking system," Parks says. "The difference is the data."

To handle the data, MFS employs an active data dictionary that dynamically puts the data with the function as needed.

The common base of the functions assures effective communication among them, providing the foundation of an integrated system. Since the data definitions define the applications in MFS, banks can change their applications in response to market opportunities by changing data definitions instead of rewriting applications. Parks estimates that the approach eliminates up to 80% of application maintenance.

Computrol found that the approach yielded another bonus. By "wrapping MFS around" a foreign system, banks can make applications from Computrol and another vendor appear part of a single, seamless system to the user, saving banks the need to go through expensive systems conversions.

The Next Step

Integration is taking on yet a new meaning as banks charge into the '90s, according to William Gallagher, president of large-systems integrator ADS of Quincy, MA.

"In the early '80s, if you bought the best integrated applications software, you were lucky to get all the loans in one basket and maybe something that had all the deposits in one basket," Gallagher says. "In the mid-'80s, bankers say the value of cross-marketing. They wanted all that data on the customer -- the household, family, cross-relationships, ancillary services -- integrated through a database.

"Now larger banks want a big presence because they are providers of services through a delivery network -- PCs at the teller and platform, the local area network in the branch, the wide area network for transaction authorization, and interfaces to third-party networks for wire transfer or credit authorization.

"The biggest obstacle is making the integrated applications of the last 10 years and the integrated database of today accessible to that delivery system."

GRAPHIC: Picture, no caption

LANGUAGE: ENGLISH

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BNA BANKING DAILY
Fair Lending
NEW CRA RULES WILL TRANSFER MOST OF COMPLIANCE BURDEN TO REGULATORS
April 28, 1995
BOSTON, MA (BNA) -- A regional Federal Deposit Insurance Corp. official said April 21 that revised Community Reinvestment Act regulations released April 19 will transfer most of the burden of determining compliance to federal regulators.

Jimmy Loyless, a regional manager in the FDIC's Westwood, Mass., office, said that under the new CRA regulations, regulatory agencies will be given most of the responsibility for determining compliance under CRA and fair lending laws. The FDIC board approved the final CRA rule April 24.

In preparation for shouldering this burden, he said the agency is preparing a nationwide training course for examiners, and is developing a computer-based tool that will assist examiners in measuring compliance, and in providing information to banks about the communities in which they operate.

Loyless displayed for participants at a banking law conference sponsored by Massachusetts Continuing Legal Education Inc., a series of maps and other charts that could assist examiners in determining the extent of lending activity in a certain community. Focusing on Norfolk County, Massachusetts, Loyless showed participants a census tract in which only two loans had been approved. A closer examination of the tract showed it housed a state institution and contained only three streets.

Without this type of information, Loyless said, community activists and regulators might question why banks have stayed away from this area. He explained that similar information can be compiled to detect lending patterns in urban areas and to provide community analysis and demographic lending.

Fair Lending Issues

In order to determine if a bank is in compliance with fair lending laws, institutions can perform a number of in-house reviews, Loyless said. However, if the information generated during that review reveals a problem, the institution must act to correct it. "It is critical that if an issue is brought to the attention of management and the board of directors, that steps be taken to correct the problem," Loyless stressed.

Loyless said all federal regulators have indicated they will not request upfront information generated through a self-exam. However, if at some point the regulators obtain information regarding the problem, and the examination data reveals the bank was aware of the problem and failed to take action, there is a greater risk of action against the bank, he said.

Loyless urged bankers to ensure that policies in place are actually being followed by bank managers and loan officers. He cited one case in which the bank had a policy against age discrimination, but a bank examiner found an application that had been denied, with the only adverse factor being the applicant's age, which had been circled in red.

In another case, which is being prepared for referral to the Department of Justice, Loyless said members of the board of trustees had allegedly adjusted an independent property appraisal in an application to show a lower property value because the board members believed the neighborhood was "declining.

In another situation that has raised questions, Loyless said an African-American couple's application for a vacation home was denied. When

questioned, the institution said it did not approve mortgage applications for vacation homes. However, Loyless said a review of bank files showed that within four months on either side of the refusal, the bank had made vacation-home loans to "non-protected" applicants.

It is critical to have policies and procedures in place and to be sure employees and officials are trained in fair lending procedures, Loyless said. It is also important to have procedures in place to ensure the policies are carried out.

Self-Testing

One way in which banks can test their policies is through the use of self-testing.

Carol Hempfling Pratt, an attorney with the Boston firm of Foley, Hoag & Eliot, said that self-testing can offer benefits to banks seeking to ensure fair lending practices, but it can also offer some drawbacks.

Pratt told participants that self-testing is generally defined as using "mystery shoppers" to pose as customers to test how a bank's employees would treat customers. As part of this test, a bank may use a "matched pair" of shoppers who only differ by race or gender, to determine if an employee treats customers differently on the basis of race or gender.

This type of testing generates data that would not be available to the bank or its legal adviser in any other format, Pratt explained. Self-testing is one way in which a bank can meet its duties to perform a fair-lending test. It can also identify certain problems, such as a rogue employee, at an early stage and allow for correction. However, the most important reason for a bank to perform a self-test is that regulators like it, she said.

An interagency policy statement issued in March 1994 (64 BBR 516, 3/14/94) by the federal banking and law enforcement agencies "strongly encourages" self-testing, Pratt noted. "If a bank has identified a problem through self-testing and taken corrective action, that will be considered a 'substantial mitigating factor' by primary federal bank regulators when considering potential enforcement actions," according to Pratt.

While self-testing and corrective action may not stop federal officials from bringing an enforcement action seeking compensatory damages, she said, it may prevent the imposition of additional penalties.

However, Pratt warned, self-testing does present some risks. She noted that some banks have avoided self-testing because they do not want to risk the possibility of generating potentially harmful information that may have to be disclosed to third parties.

Pratt noted that the interagency policy statement, while supporting the idea of self-testing, warns that data documenting lending discrimination discovered in a self-test generally will not be shielded from disclosure. Pratt added that the U.S. Department of Justice has recently backed off from that position.

Assistant U.S. Attorney General Patrick Deval stated in a recent letter (64 BBR 491, 3/6/95) that "as a general matter, the Department of Justice will not use evidence created by self-testing against the lender that undertook the self-testing, and will not request a lender's self-testing results to form a basis for determining whether to file a pattern and practice complaint." However, she noted that if DOJ independently develops information that leads it to bring an action against a lender for discrimination, the Justice Department reserves the right to seek discovery of self-testing date in the resulting investigation.

Pratt also warned that private plaintiffs may seek self-testing data in discovery. However, she said, the Massachusetts Bankers Association has proposed state legislation that would create a privilege for information generated during a self-test, and similar legislation is also being

considered at the federal level.

While self-testing data "may not be the thing that indicts you, it may be the thing that hangs you," she said. In order to limit the risks associated with self-testing, she suggested that banks not self-test until managers at all levels and employees have been trained in fair lending compliance.

She also recommended that banks be very selective in choosing a testing company and that self-test information may be appropriately filtered through the bank's attorney, thus creating a possible protection against disclosure.

Finally, Pratt suggested, no bank should embark on a self-testing program unless it has a pledge from top-level managers and the board of directors to act quickly to correct any problems identified during a self-test.

In addition to self-testing, Pratt said banks may evaluate their **compliance** with **fair lending law** by reviewing loan and application files, examining Home Mortgage Disclosure Act data, or reviewing bank lending policies.

In reviewing files, she noted that a review can quickly be performed by doing a thick-file versus a thin-file analysis. This study can raise the issue of whether the bank provides more assistance to non-minority applicants than minority applicants, since applicants who receive extra help often have thicker files containing supplemental documentation, while thinner files contain only an application that has been denied.

Banks might also want to review their own HMDA data since it will be studied by regulators. The data may raise red flags that must be addressed. And by simply understanding the data, a bank may be in the position of being able to explain legitimate disparities when federal regulators question it.

Second-Review Policies

Pratt also urged bankers to examine their second-review policies. If possible, she recommended that a senior bank officer review all applications recommended for denial before they are denied to ensure consistency and compliance among loan officers. It is important that such reviews be done on a non-discriminatory basis.

Pratt explained that in his letter, Deval Patrick said Justice will not prosecute a bank for favoring minorities through a minority-only second-review program. She said, however, such a policy would make her nervous and recommended that a second-review process that is not able to review all applications being denied, be based on another non-prohibited basis such as income.

4/9/3 **(Item 1 from file: 268)**
DIALOG(R)File 268:Banking Information Source

00314833 (THIS IS THE FULLTEXT)
Compliance help
Gamble, Richard H
Independent Banker, v47, n7, p67-68, Jul 1997
DOCUMENT TYPE: Journal Article ARTICLE TYPE: News ISSN: 0019-3674
JOURNAL CODE: BINB LANGUAGE: English RECORD TYPE: Abstract Fulltext
AVAILABILITY: Contact UMI for article reprint (order no. 9109.00).
Restrictions may apply.
WORD COUNT: 01088

ABSTRACT: There are software products on the market that not only help banks prepare and file standard compliance reports, they can demystify the compliance process. The products also can determine the compliance exam scores a bank would receive and give it time to make changes and avoid nasty surprises. Most compliance software programs will analyze loan originations and rejections by income level, ethnic status, and zip code. Two Windows-based packages that perform tasks for Community Reinvestment Act (CRA) and fair lending compliance analysis are **CRA Wiz** from PCI Services Inc. and Centrax from Centrax Services Inc.
TEXT:

Headnote:

Editor's Note: Independent Banker offers this monthly column to inform community bankers about the wide array of software products available. This column should serve only as a guide. IBAA and Independent Banker make no endorsement of any software products mentioned.

Washington politicians' recent respect for the private sector has led to more speeches in favor of lightening the regulatory burden on industries like banking. Community bankers, however, may obtain relief from good software rather than wait for Congress to act. If anything, banks soon may feel more regulatory pressure to finance jobs for people forced off the welfare rolls.

It's probably a good time to look into a few software products that may help you negotiate our industry's maze of consumer-protection rules. (See feature on page 43 for compliance reference and training resources.)

There are software products on the market that not only help you prepare and file standard compliance reports, it can demystify the compliance process. The products also can let you determine the compliance exam scores your bank would receive while giving you time to make changes and avoid nasty surprises. Most compliance software programs will analyze loan originations and rejections by income level, ethnic status and zip code.

"The right [compliance] software allows community banks to offer sophisticated products. But, it's important that you pick the right software and know how to use it," says Lucy Griffin, president of Compliance Resources Inc., a consulting firm in Falls Church, Va. No software program will do everything you want it to, she cautions.

Two kinds of compliance software are widely available-fairly straightforward packages built for retail lenders and more complex control packages built for operations specialists, Griffin says.

ANALYSIS ASSISTANCE

Two Windows-based packages that perform tasks for Community Reinvestment Act and fair lending compliance analysis are **CRA Wiz** from PCI Services Inc. and Centrax from Centrax Services Inc.

CRA Wiz comes in the following three modules: a database analyzer foundation piece, a geocoder and a mapper. PCI Services offers consulting and training sessions, but claims that an average community banker can achieve 80 percent proficiency within a week just by using the documentation, online help or a toll-free technical assistance line. You can even skip the software, send PCI Services your data files and have them do the geocoding, mapping and graphing.

PCI Services' software combines bank-specific data (from LARs, other credit portfolios, deposits, etc.) with generic demographic data. It can import, edit and check the accuracy of such data in any ASCII format and cross-tabulate and analyze any combination of Home Mortgage Disclosure Act,

the Community Reinvestment Act, user-defined and demographic data. It can also compare your bank with its competitors and peers.

For instance, the geocoder module assigns U.S. Census tracts to address information. Through interactive matching it can spot mismatched zip codes, misspelled streets and ambiguous or incorrect information.

Interactive editing allows you to correct HMDA or CRA record errors individually, without re-geocoding a whole file.

Originally designed for larger banks' compliance staffs, **CRA Wiz** is now being sold to community banks directly and through thirdparties. Geography-based prices run from as low as $2,200 for a single metropolitan statistical area for one copy of all three modules to $10,000 or more for a larger interstate region.

To learn more, contact PCI Services Inc. at 100 Charles River Plaza, Boston, Mass. 02114; (800) 2613111 (voice); (617) 227-7769 (fax); or dans@pciwiz.com (e-mail).

Unlike PCI Services, Centrax Services puts more emphasis on a free, three-daytraining session at its Dallas facilities. During the session, trainers explain regulations as well as the company's software. The company also does training and software setup over the telephone, too.

Centrax software is priced from $5,000 to $30,000, depending on geographic spread and number of users. A community bank with a reasonably compact market, such as within a given county, can expect to pay $5,000 to $7,000, while banks with statewide or regional franchises would pay $10,000 to $30,000.

You can contact Centrax Services Inc. at 4004 Beltline Road, Suite 225, Dallas, Texas 75244-2328; (800) 365-4274 (voice); or (972) 788-0451 (fax).

Bankers and software developers have figured out that the data and analysis features built into compliance software have great value for marketing and can do a lot more than keep regulators at bay. Centrax Services already has a data-based marketing spin-off product called Marquis. PCI Services is beefing up its statistical analysis features and adding direct mail and telemarketing interfaces to capitalize on its product's usefulness for database marketing.

BLACKLIST ENFORCER

For a completely different compliance application, you might want to use HotScanR from Logica Inc. to protect your bank from processing Electronic Funds Transfers banned by the Office of Foreign Asset Control. By law, such payments destined for a blacklisted person, company, bank or foreign government must be frozen by U.S. processing banks.

HotScan acts as a censor, checking all fields of each transaction for a socalled dirty name-one contained in its "dictionary" of all the names on the government's current blacklist.

(For more information on this topic see feature on page 34 of the February issue of Independent Banker.) The program scans for illegal payments in SWIFT, FEDwire, CHIPS, CHAPS and Telex messages.

Although the vendor claims its product is flexible enough to fit the needs of smaller institutions, many community banks will not have enough electronic payment traffic to justify a systems solution. Logica won't release pricing information, saying prices vary greatly depending on the number of systems its software must monitor.

For more information, contact Logica Inc. at 32 Hartwell Ave., Lexington, Mass. 02173-3103; (617) 476-8000 (voice); or (617) 476-8010 (fax).

FAIRNESS MAPPED

For help with CRA and fair lending compliance analysis, CFI ProServices Inc. offers Pro Active, an **integrated** , Windows-based package that automatically creates the electronic HMDA file regulators expect.

The software marries bank loan data with sophisticated geocoding capabilities-standardizing addresses to U.S. Postal Service requirements and then merging that information with Census and demographic data. More than 40 predefined maps provide visual displays showing the geographic distribution of loans and deposit accounts. Regulatory changes and Postal Service geocoding data changes are automatically updated.

The typical user, a $500 millionasset to a $2 billion-asset bank, can expect to pay between $5,000 and $10,000 to use Pro Active across one or two states. Additional states cost $1,500-$2,000 each.

For further information, contact CFI ProServices Inc. at 400 S.W.

Sixth Ave., Suite 200, Portland, Ore. 97204; (800) 297-6486 (voice); (800) 875-0997 (fax) or cfi@akabs.com (e-mail).

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COMPANY NAMES:
PCI Services Inc
CENTRAX Group
Logica Inc
CLASSIFICATION: 8100 (CN=Financial services industry); 5240 (CN=Software & systems); 4310 (CN=Regulation); 9190 (CN=United States)
DESCRIPTORS: Community banks; Bank compliance; Software; Fair lending; Community Reinvestment Act 1977-US; EFTS; Manycompanies
GEOGRAPHIC NAMES: US

2/9/12 (Item 3 from file: 148)

08650437 SUPPLIER NUMBER: 18268790 (THIS IS THE FULL TEXT)

N.Y. Banking Department acts to standardize CRA regulations, examinations.(New York State Banking Department, Community Reinvestment Act)(Brief Article)

Schulz, Matt
American Banker, v161, n89, p8(1)
May 9, 1996
DOCUMENT TYPE: Brief Article ISSN: 0002-7561 LANGUAGE: English
RECORD TYPE: Fulltext
WORD COUNT: 311 LINE COUNT: 00028

TEXT:

Responding to industry complaints, the New York State Banking Department has begun a massive review of its Community Reinvestment Act rules.

Bankers have asserted that the federal and New York CRA rules are so different that most institutions have to keep separate records for each regulator.

New York State Banking Superintendent Neil D. Levin said the revised rules will make the state "a national leader in the application and enforcement of CRA."

New York rules mirror the old federal CRA regulations, which emphasized paperwork and documentation. The new federal CRA rules, however, focus on actual loans made.

Empire State bankers have said they keep two different types of documentation for exams that often occur simultaneously.

Stacey Cooper, deputy superintendent of the New York banking department's consumer affairs division, said the new rules would deemphasize paperwork and focus on lending. She declined to discuss specifics, saying the review has just begun.

"The federal regulations make sense," Ms. Cooper said in an interview. "We're optimistic that we could have some sort of proposal to the state banking board in six months."

Bankers praised the move, saying the current system wastes resources that could be invested in low-income communities.

"It's a real positive step," said LuAnne Kingston, CRA officer at Marine Midland Bank in Buffalo. "It can be very difficult to have two regulators in the bank examining CRA in two different ways."

The New York department already has begun preparing examiners for the new rules, conducting briefings on the recently revised federal CRA regulations.

New York has made other changes to its CRA exams. The department has bought **CRA Wiz** , a geocoding and mapping software product, to help examine lending data more accurately.

It also has begun releasing more details about CRA compliance, including bank-funded programs.

SPECIAL FEATURES: illustration; photograph
INDUSTRY CODES/NAMES: BANK Banking, Finance and Accounting
DESCRIPTORS: New York (State). Department of Banking--Standards; Federal aid to community development--Standards
PRODUCT/INDUSTRY NAMES: 9107100 (Housing & Community Development)
FILE SEGMENT: TI File 148

2/9/11 **(Item 2 from file: 148)**
DIALOG(R)File 148:IAC Trade & Industry Database

08817932 SUPPLIER NUMBER: 18430411 (THIS IS THE FULL TEXT)
Cheaper access on Internet seen forcing innovation by compliance vendors.
Schulz, Matt
American Banker, v161, n123, p12(1)
June 27, 1996
ISSN: 0002-7561 LANGUAGE: English RECORD TYPE: Fulltext; Abstract
WORD COUNT: 605 LINE COUNT: 00051

ABSTRACT: The popularity and growth of the Internet as a means of obtaining compliance data will force many current vendors to adapt and offer their customers more for their money. Many bankers have discovered information services on the World Wide Web which offer compliance data cheaper than previous retrieval services. Mapping data software is also available on the Internet, although bankers have to input information manually in many cases.

TEXT:

Fast, cheap Internet access to data will make providers of compliance data and mapping software give customers more for their money, experts say. No longer can these firms be content to provide census data, mapping of software, and regulatory updates. Those services are available for free over the Internet.

Rather, observers said, these companies must create new products that help compliance officers make sense of the reams of data they collect.

"The Internet is clearly a fire behind these service providers, and they have to be feeling the heat," said Richard Insley, compliance officer with Signet Bank in Richmond, Va. "If they're giving things out that are now being offered up for free, the Net's going to take a bite out of their business."

Some bankers are already leaning on the Internet for cheaper services. Andy Zavoina, senior vice president and compliance officer at First National Bank of Killeen in Killeen, Tex., said he uses a mapping product from the census bureau's World Wide Web site to assess his institution's Community Reinvestment Act-lending efforts.

The mapping product, called Tiger Maps, lets bankers customize maps to show states, metropolitan areas, counties, census tracts, and congressional districts. Then the banker can color-code the map's data by category, including: family and household size, population density, income, age, and race.

However, the software doesn't let bankers plug their own loan data into the system to be mapped. Nearly all private companies' products will take that information and, by using dots or other symbols, place it on the already color-coded map to show where an institution's loans are located. Bankers using the Internet software have to create those loan markers manually, Mr. Zavoina said.

"It's not the answer to everything, but it can certainly cut costs," Mr. Zavoina said.

He estimated that by using Internet products instead of private companies, his bank saves up to $10,000 annually. It takes about two weeks to do an entire lending analysis the first time, according to Mr. Zavoina. But once bankers are familiar with the system, they could do all of their mapping in about 90 minutes, he said.

In the face of this, data mapping companies are trying to change. For example, Claritas Inc. - considered the granddaddy of mapping firms purchased Strategic Mapping Inc. last month to expand its data-analysis services.

Claritas also is adjusting its products to appeal to more bankers.

Targeting small banks, MarketQuest lets users combine loan data with basic demographic information on color-coded maps. This allows money strapped banks to get more than what's available on the Internet without plunking down a fortune.

MarketQuest joins Compass, a more expensive mapping product that provides a larger data base and greater analysis capabilities.

J. Edward Pickle, president of Claritas' financial services division,

said the Internet could bankrupt firms that don't provide newer, flashier, and faster products to keep customers happy.

Several observers said that no data and mapping provider should dismiss the effect of the Internet on the business. Jo Ann S. Barefoot, director at KPMG Barefoot Marrinan in Columbus, Ohio, said presentation is key to keeping a step ahead.

She pointed to CRA compliance products like PCI Services' **CRA Wiz** and Tactician Corp.'s CRA Analyzer as examples. Both help banks track their CRA lending by sorting, mapping, and charting data quickly and colorfully, she said.

"Ease of use is such a big issue," said Ms. Barefoot. "People will usually be willing to pay for that convenience."

SPECIAL FEATURES: illustration; table
INDUSTRY CODES/NAMES: BANK Banking, Finance and Accounting
DESCRIPTORS: Data processing services--Innovations; Banking industry--Management
PRODUCT/INDUSTRY NAMES: 7374000 (Computer Service Bureaus); 6010000 (Banking Institutions)
SIC CODES: 7374 Data processing and preparation; 6000 DEPOSITORY INSTITUTIONS
FILE SEGMENT: TI File 148

*/7/4 **(Item 1 from file: 148)**
DIALOG(R)File 148:IAC Trade & Industry Database

08000261 SUPPLIER NUMBER: 17103608 (THIS IS THE FULL TEXT)
CRA software wins raves for speed, flexibility.(PCI Services CRA Wiz Community Reinvestment Act compliance software)
Henry, Shannon
American Banker, v160, n119, p8(1)
June 22, 1995

TEXT:

Some of the biggest banks in the country - including Chemical, Wells Fargo, and Natwest - are entrusting their Community Reinvestment Act compliance to a new software product.

Less than a year old, the product, called CRA Wiz, this month got its biggest public showing to date at the American Bankers Association's annual compliance conference in Boston.

It was a hometown crowd for PCI Services, the Boston-based consulting firm that developed CRA Wiz. The versatile software lets users analyze their own lending patterns as well their competitors'. Banks can use the information to check CRA and fair-lending compliance, analyze market penetration, and make marketing choices.

"This has revolutionized our work," said Gary Spariosu, a vice president with Chemical Banking Corp. who specializes in CRA compliance research. "You can do just about anything you want in terms of analyzing the data."

PCI introduced CRA Wiz nine months ago, after making a name for itself providing geoanalysis for banks. The company saw that some banks, mostly large ones, wanted a flexible tool to do that work in-house, said Raffi A. Festekjian, a principal at PCI.

Along with bankers and other vendors, PCI tracked regulators as they revamped the rules implementing CRA. The new requirements, released in April, already have been incorporated into the product. For example, a bank can now use the software to compile and analyze information on small-business and farm loans.

"The release of our small-business and consumer module within two months of the passage of the new regulations has demonstrated PCI's ability to quickly deliver fair lending and CRA compliance tools in the Windows environment," Mr. Festekjian said.

The company's 22 clients are almost exclusively big banks. Money-center and large regional banks are more technologically advanced and therefore more likely to use the product to its potential, he said.

"The big banks have deeper pockets," Mr. Festekjian added.

The average customer pays $12,000 for the CRA Wiz software, which includes data for the whole country. As interstate branching approaches, CRA Wiz can help banks analyze market opportunities and check out potential competition.

While most customers buy the nationwide package, banks also can pay $5,895 for software covering one state.

Although the CRA compliance market is crowded, Mr. Festekjian said CRA Wiz is faster and easier to use than its competitors.

Chemical's Mr. Spariosu said he'd been using another product that took much more time to do the same tasks.

"The speed is phenomenal," Mr. Spariosu said. For example, he said CRA Wiz can analyze all of Chemical's loans in Nassau and Suffolk counties on New York's Long Island in three minutes.

The system is designed so someone with no computer experience can learn to use it in a day. "The program can be used by a novice or a power user," Mr. Festekjian said.

After installing the software, the bank downloads its loan files into the system, which runs on Windows. The banker can then choose from a number of options including defining delineated communities, editing Home

Mortgage
Disclosure Act data, or producing tables and charts showing lending patterns.

Banks can crunch the information to find, for example, loan approvals and denials by race, applications in certain census tracts, or outstanding loans by county.

Besides spot-checking, CRA Wiz also can monitor a bank's performance over time. Chemical is using the product to track its affordable mortgages.

Other customers use the software to speed up mergers by showing examiners and consumer groups the bank's CRA record. To produce a map that would show a community group what a bank's lending pattern is in the Bronx, for example, would take two minutes, Mr. Festekjian.

There is one downside to the product, joked Mr. Spariosu. Because the software is so easy and fast to use, his bosses want more work done faster.

"My management demands a quicker turnaround," he said.

DIALOG(R)File 148:IAC Trade & Industry Database

09739420 SUPPLIER NUMBER: 19766965 (THIS IS THE FULL TEXT)
Examinations at a distance. (off-site bank evaluations)(includes related article on compliance examinations)
Marshall, William T.
America's Community Banker, v6, n7, p16(6)
July, 1997
LANGUAGE: English RECORD TYPE: Fulltext; Abstract
WORD COUNT: 3864 LINE COUNT: 00311

ABSTRACT: Bank examiners' increasing use of off-site review and pre-examination evaluation processes have, ironically, put them in close contact with banking management and operating procedures. Office of Thrift Supervision's (OTS) John F. Downey declared that the automated evaluation of loan portfolios, which has made bank examinations more efficient and effective, will be a major feature of OTS' policies. However, its implementation does not mean an abandonment of the traditional procedure which called for bank examiners to regularly visit banks and review their stacks of documents.

TEXT:

NEW AND EMERGING AUTOMATED PROCEDURES FOR OFF-SITE PRE-EXAM REVIEWS AND ANALYSES OF LOAN PORTFOLIOS, RISK EXPOSURE AND OTHER KEY CONCERNS OFFER GREATER EFFICIENCIES AS FEDERAL AND STATE REGULATORS REACH OUT WITH...

By increasingly keeping their distance, bank examiners are more efficiently keeping in close touch with financial institution management and operating policies and practices.

Off-site pre-examination evaluations and review procedures, particularly the automated analyses of loan portfolios, are making big strides as federal and state banking agencies try to stretch their resources and ease the industry's regulatory burden with a generous infusion of high-tech support.

While there's no talk about abandoning examiners' regular visits to sift through stacks of credit files and certain other essential documents, today's sights are clearly focused on performing more work off-site.

"We're looking at the entire examination process and everything we've done to see if there are ways we can do our work in a more efficient and effective manner," John F. Downey, executive director of supervision for the Office of Thrift Supervision, told America's Community Banker. Off-site exam procedures that rely on technology to "a greater advantage" will remain a major element of the OTS' efforts, he said.

"Leveraging the use of computer technology" for off-site loan analyses and the preparation of examination reports is high on the Federal Deposit Insurance Corp.'s list for "making the supervisory process less burdensome for banks and more effective and efficient for bank regulators," Ricki Heifer told the 1997 annual meeting of the Conference of State Bank Supervisors in May shortly before her previously announced resignation as FDIC chairman.

Banking agency efforts to leverage technology are evident in other new or emerging advancements such as the electronic filing of Call Reports, the development of an automated format for evaluating bank risk management programs and the automated preparation of reports of examination.

Reducing the burden of examinations remains the overriding objective as the agencies seek to build on their early successes in trimming examiners' time away from their field offices.

About 30 percent of all FDIC examination procedures were conducted off-site last year, up from approximately 12 percent in 1994 and 17 percent in 1995, said Daniel M. Gautsch, an FDIC examinations specialist. "A major reason," he noted, "is that we have increased the amount of information we're requesting from banks as part of our pre-examination reviews."

Keeping Watch with Alert

While more pre-exam submissions of such documents as written policies, audit reports and board meeting minutes have played a big part in reducing examiners' on-site stays, so have programs including the FDIC's Automated Loan Examination Review Tool, also known as Alert, automated loan analysis

system.

Alert enables FDIC examiners to conduct off-site reviews of various types of lending information extracted from bank databases, Gautsch explained. After receiving notice of an impending examination, institutions load the names of borrowers, amounts borrowed and various other loan data onto diskettes to send off to the examiner's field office several weeks in advance.

Whatever the computer system a bank may be using, the FDIC's platform enables examiners to organize data submissions in a format compatible with Alert, said Gautsch. Examiners generally look for random loan samples, information on delinquencies and nonaccruals, lists of loans by risk ratings, and other items such as a bank's internal credit watch list and overdraft and uncollected funds reports.

During their off-site evaluations, examiners also look at additional credit review items such as Call Reports, investment portfolio securities reports, loan reserves and reserve calculation methods, as well as budgets and tax returns, he said.

"Depending on the situation at the bank," Gautsch noted, examiners also may elect to review items such as other real estate owned, repossessed assets, mutual fund sales and summaries of fees paid to affiliates.

One of the Alert system's advantages is that the institution "is not under the gun right then and there to get something to the examiners. Banks instead are able to get somebody to put the information together and forward it to the examiner within a reasonable period of time."

That means "you don't have as many examiners running around your institution doing the grunt work of fact-gathering," Gautsch added.

While Alert's launching in May 1996 automated the loan selection process "for the kind of sampling we wanted to do," that was only the first step in what Gautsch termed "an evolutionary process" for the system.

In April, for example, the FDIC rolled out an upgraded Alert that "lets the computer do some analysis" of the loans pulled for sampling, Gautsch said. The loan analysis process, he explained, evaluates such concerns as "the condition of the loan portfolio, the types of loans the bank is making and the kinds of problems the institution may have had in the previous exam."

For example, if the last examination detected problems in a certain department, examiners will focus on that department and "take into consideration what has happened between examinations" to deal with the problems, according to Gautsch.

The OTS' New PERK

Like the FDIC, the OTS is also well along in its efforts to automate the off-site gathering and analyses of loan portfolio data. According to the OTS' Downey, the agency will be "ready to go live in July" with a preliminary examination response kit (PERK) that will ask for the submission of loan data in an electronic format.

Participation in this new PERK program will be voluntary, Downey said, emphasizing that "we're not asking institutions at this point to create anything for us." The information sought has been provided to the OTS all along on paper.

Institutions now can provide the same information in diskette form, if possible, regardless of the software they use. "We'll then be able to manipulate the data with the product we've created and develop our own customer reports," he explained.

The OTS, Downey noted, also will "be able to analyze the data in a way that makes more sense to us." By using what he called "pivot tables," examiners will electronically sort and analyze data received from institutions.

First, though, the agency wants each institution "to clearly understand the data you provide before we use that data to select loans for review and analysis," according to a draft copy of a PERK electronic loan data request that was to be sent to OTS-regulated institutions. "The OTS will contact you to discuss the data that you have available and the form in which you can provide it."

According to the draft document, the OTS will request five basic information fields that include borrower names, loan numbers, current balances, origination dates and loan types. Other data fields also may be requested "if the institution has the information available and the PERK preparer determines it is necessary based on examination scope."

Noting that not all data fields will be relevant to every type of loan, the OTS listed the following as the "most useful fields":

* Customer identification file or borrower identification number (or both);
* Interest rate;
* Loan officer, loan office or lending division (or all three);
* Number of days past due;
* Internal classification rating;
* Major borrower or loans-to-one borrower code (or both);
* Loan subtype (for example, in a file of one- to four-family loans, 30-year fixed rate loans, one-year adjustable rate mortgages and so forth);
* Purpose of the loan;
* Original loan balance;
* Collateral value; and
* Date of collateral valuation.

Mortgage loan data, for example, might be sorted by interest rate, the office that generated the loan, the loan officer responsible for the loan's origination, maturity date and other factors, Downey explained.

Examiners will be able to take information covering loan delinquencies and put the data into "various buckets" such as 30 to 60 days and 60 days or more in arrears, he added.

Electronic submissions of loan information will allow the OTS to use computer programs to expedite loan selections and reviews. To avoid duplicative information requests, the agency will coordinate the data provided electronically with paper-based PERK information that will be requested before an on-site examination begins, Downey said.

Telling Management More

During the next year, Downey noted, the OTS intends to bring institution management more into "exactly what it is we're doing" with loan portfolios, the way the agency reviews sample loans, and "what we can do when we get (loan) information in an electronic format." Doing "all the sampling of portfolios without going to management" is a major element of the OTS' automated loan analysis objectives, he said. Direct management involvement will be minimized as OTS examiners determine the sampling intervals, such as every loan of above a certain amount.

"If we have this information on diskette off-site," Downey added, "we'll be able to notify institutions of what files we'll be looking at when we come (to their offices) so they'll be able to prepare for the examination."

Again, though, he was quick to emphasize that the OTS will take information "in whatever format" an institution is able to provide, electronically or not. An Excel format is preferred for electronic submissions, although any text file that can be converted to Excel is acceptable.

"Each loan should be reported only once per file," with separate files to be provided for each category of homogeneous portfolio holdings such as one- to four-family loans and mobile home, credit card and automobile loans, according to the PERK draft's instructions.

The instructions also call for separately filing various categories of nonhomogeneous credits such as commercial real estate and commercial or construction loans.

OTS examiners who may want to review Thrift Financial Reports have the advantage of working with electronic TFR filings. For the moment, at least, the OTS remains the only banking agency that receives all financial condition report filings electronically.

The move to electronic TFR submissions in 1993 wasn't all that surprising in that the OTS' predecessor agency, the Federal Home Loan Bank Board, had already taken the first steps toward automating its exam procedures several years earlier. "All (the FHLBB's) examiners were equipped with personal computers, and all reports were prepared and transmitted internally through electronic means," Downey explained.

In comparison with the Office of the Comptroller of the Currency, where Downey worked at that time, the OTS' use of PCs and the nascent elements of an automated examination process put the agency "far ahead" of the OCC technologically, said Downey.

The systems of today's OTS contain "all reports of examination that were done in the last 10 years," he added. "We have all information in electronic means relating to supervision and examinations."

Downey noted that the OTS' electronic data files cover "everything from our enforcement actions to letters of boards of directors and matters of concern that we uncovered during our examinations."

Measuring Interest Rate Risk

Besides their quarterly TFR filings, OTS-regulated institutions submit Consolidated Maturity/Rate schedules to the agency on diskettes every three months to have their exposure to interest rate risk evaluated.

Although the OTS relies on the CMR filings of a core group of 400 institutions, nearly 1,250 institutions submit this schedule to the agency for off-site evaluations of their interest rate risk exposure. An OTS interest rate risk model helps determine the degree of exposure based on CMR data covering investments listed by types and various maturities.

Not only does the OTS consider the IRR model a "very useful tool," but other agencies share that view and might be inclined to use the model themselves were it not for certain data collection concerns, Downey said. "Our institutions," he added, "have been providing CMR data with no problem."

Data submissions in much the same form used for the OTS' Thrift Financial Reports will be the norm before long for Call Report filers. Commercial and savings banks with assets of $50 million or more must begin to submit these reports by modem or on diskettes for filings due on Sept. 30. Smaller banks have a Dec. 31 starting date.

According to the Federal Financial Institutions Examination Council, which issued the filing directive, approximately 70 percent of all banks submitted Call Reports electronically in the first quarter of 1997. A greater number, more than 87 percent, have the software needed to meet the FFIEC's filing requirement.

At the request of institutions lacking the necessary electronic filing capabilities, the FFIEC pushed back an originally scheduled three-phase transition away from paper-based filings. Some of these institutions won't be able to meet even the later deadlines, but they can contract directly with the agencies' electronic collection agent or any other party to have paper Call Reports converted to electronic filings.

Still other steps are in the offing to bolster the efficiency of the supervisory and examination process. At this writing, for example, the OTS was preparing to equip each of its examiners with what Downey termed a new "state of-the-art, top-of-the-line laptop computer" to perform a variety of functions including the off-site preparation of examination work papers and PERK packages.

"Our examiners are able right now to customize a PERK package on their machines and send it to the institution with requests for information three to four weeks before they go in for an examination," he said. In turn, the institution is better able to come up with precisely the kind of information requested.

With this new step forward, the OTS has the means to perform additional functions such as pricing loan portfolios and determining market values "in no time at all," said Downey. Examiners can "meld the data provided to us with the system we have."

More Graphics, Less Verbiage

An even more important development will be the automated preparation of examination reports. Not only will the OTS' recent purchase of Windows 95 Microsoft Office Suite software facilitate this function, but exam reports also will be "easier to read and understand," with graphs and charts taking the place of much of the verbiage used for conveying examiners' findings, according to Downey.

Up to 30 percent of the text will be eliminated from reports of examination, he said, thereby ending the difficulties of discussing such concerns as interest rate risk "in a narrative way." About 700 examiners were to be trained on how to prepare automated reports of examination in advance of the program's projected July launch, Downey stated.

State banking examiners were to share in this training, as they have for other supervisory initiatives of the OTS, FDIC and other federal banking agencies.

FDIC state training support programs are coordinated through the Conference of State Bank Supervisors. "With training dollars and training time becoming more precious, the states are making the point that we can no longer afford to train bank examiners in two different ways to do things," said Robert A. Richard, CSBS senior vice president of regulatory affairs.

Efficiency and effectiveness must "rise to the top" in the current environment, he said. "There can be no tolerance for duplication and redundancy."

That attitude perhaps explains why the CSBS and its member state agencies have been working with the Fed and FDIC to develop a standard automated process for examining state-chartered banks. The first step, the electronic downloading of loan files, will be taken in October. Then, in early 1998, the FDIC and Fed are scheduled to join with state banking agencies in introducing the automated reports of examination.

While credit quality will be the predominant concern, the federal and state agencies will be working throughout 1998 to add examination modules for other areas such as the liquidity, earnings and securities sections of the automated exam reports, according to the FDIC's Gautsch.

Called Genesys, which stands for General Examination System, the new exam package will allow examiners to draw analytical data from either the FDIC or Fed's mainframes in a common form. Examiners will then use this information in their analyses of individual institutions and examination report preparations.

Information from both the FDIC's Alert system and the Federal Reserve's equivalent Work Station system will be fed into Genesys to build its database.

Both federal agencies have agreed that the FDIC will develop Genesys for use with smaller community banks, while the Fed will concentrate on applying the system to larger banks.

Examiners Will find further support in a common automated format being developed by the Fed and FDIC for assessing risk management programs, primarily at small community banks. With the format's scheduled unveiling late this fall, examiners should be able to more efficiently monitor and assess the risk factors underscored in the FFIEC's recently revised Uniform Financial Institutions Rating System, or what is more commonly referred to as CAMELS.

Tiered Risk Analysis

The automated format will be integrated into "a tiered-examination approach that targets the level of risk and risk management practices of specific institutions," explained the FDIC's then-Chairman Helfer in her May address to the Conference of State Bank Supervisors. "Ultimately, the approach will cover 14 areas ranging from management of the loan portfolio to electronic banking."

Various decision modules will permit examiners to determine the stages at which certain risks may or may not warrant further analyses. Examiners will be able "to factor a variety of relevant economic and other data into their risk evaluations" once these data are translated for evaluating institutions with "differing levels and types of risk exposures," Heller explained in remarks at an earlier FDIC symposium.

Leveraging the FDIC's statistical and analytical resources in this way, she added, will "help examiners focus their efforts so they can increase the effectiveness of examinations and stay on-site only as long as necessary to address the risks that individual institutions present."

Automation indeed helps but is not always crucial for shortening examiners' on-site visits. At the FDIC, for instance, off-site pre-exam functions such as reviewing the last report of examination, previous CAMELS ratings, and relevant correspondence have been expanded to include other functions.

Instead of passing out officers' questionnaires, asking for information about directors and employees, and reviewing board and board committee meeting minutes on-site at the outset of an examination, examiners are adding these functions to their off-site pre-exam reviews, according to the FDIC's Gautsch. Generally, FDIC examiners also are conducting off-site reviews of written policies for lending, collections, and asset-liability and funds management.

While off-site pre-exam reviews of the same kinds of documents are no less important to the OTS' examiners, paperless presentations are preferred. "What we've been trying to do," said supervisory chief Downey, "is to take a look at institutions and see what (information) they may or may not have in electronic means."

Larger institutions, at least, typically would have policies and procedures "on some type of electronic basis" to facilitate access internally, he noted.

In a broad sense, Downey added, the OTS considers these and other aspects of its off-site exam procedures less a revolution than "a continuation of where we've been" to improve the effectiveness and efficiency of examinations. All this in turn will "make life a lot easier."

RELATED ARTICLE: Working Afield to Keep in Close Touch with Compliance

Although safety and soundness examinations are the main focus of the off-site procedures discussed in the accompanying article, a lot is also happening within the field offices of OTS and FDIC examiners to attain more efficient compliance and Community Reinvestment Act examinations.

While the same types of portfolios are scrutinized, the difference in compliance examinations is that certain data elements are germane only to compliance concerns, stated John F. Downey, OTS executive director, supervision. if institutions have the appropriate data, "we will be moving along and doing the same things we are doing for safety and soundness exams," including off-site pre-exam reviews and analyses.

For example, with software called **CRA Wiz** , the OTS is able to manipulate the Home Mortgage Disclosure Act data furnished by savings institutions, map the various locations of loans and perform other functions with "much better results" than the agency's previous "labor-intensive" procedures permitted, be said.

OTS examiners are also using other types of software for purposes such as measuring compliance with the truth-in-lending roles.

The OTS' approach to compliance exams "generally involves the comprehensive review and analysis of internal policies, procedures and review programs," Downey explained in a May memorandum to the chief executive officers of OTS-supervised institutions. After formulating an initial assessment of an institution's overall compliance efforts, he added, "the examiner tests the integrity of the internal compliance program through limited sampling of various selected transactions on a risk basis."

Alice Beshara, a review examiner for the FDIC's Division of Compliance and Consumer Affairs, reported that "better pre-examination planning" became a key objective for the division with its creation in 1995.

When FDIC compliance examiners request certain documentation, "it's up to the bank to determine what we will review off-site or on-site," she said. Internal and external audit reports, truth-in-lending and consumer leasing forms, and agreements between institutions and credit reporting agencies are among the documents typically requested.

Institutions can submit the information in paper or electronic form, said Beshara, adding that "we want to reduce regulatory burden" above all.

Accessing information via the Internet is assisting FDIC examiners in their evaluations. World Wide Web agricultural reports and Small Business Administration loan data, for example, are often important factors in analyzing loan portfolios.

Among the primary objectives of the FDIC's compliance and CRA exams are to be "very upfront, let institutions know what the scope of the examination will be and how the exam will be run," she said.

As a result, "our compliance programs are now stronger than ever," added Beshara. "We don't just want to be critics. We want to give institutions praise when they do good things."

- William T. Marshall

SPECIAL FEATURES: other; illustration
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Whether the Community Reinvestment Act (CRA) is considered a **regulatory** burden or good business, financial institutions always are in need of sound CRA experts to help with CRA compliance procedures. In this issue of the CREDIT RISK MANAGEMENT REPORT miniguide, we focus on CRA service providers.

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CONTACT

SPECIALTIES

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Provider of software-based compliance systems, including Pro Active,

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Compliance software including Census Trax Plus.
ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE, INC. Redland, Calif.

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Provider of CRA compliance software and strategies.

FORMATION TECHNOLOGIES INC. Denver, Colo.

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INDUSTRY: Financial Services (FS)
COMPANY NAMES (DIALOG GENERATED): BANKERS SYSTEMS INC ; CFI PROSERVICES INC ; COMMUNITY MARKETING INC ; CRA ; DATAMAP INC ; ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE INC ; FORMATION TECHNOLOGIES INC ; MAP INFO CORP ; STRATEGIC MAPPING INC ; TITUS COMPLIANCE SOFTWARE INC

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Compliance vendors do battle in newly competitive market

Prince, Cheryl J

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ABSTRACT: Facing a swiftly changing, competitive arena, **regulatory** compliance software vendors are becoming increasingly innovative in their approaches to the market. To adapt to market conditions, these 3rd-party vendors are making use of relatively new and powerful technologies like geocoding, graphical user interfaces, and mapping capabilities. In the wake of distributed computing, downsized and leaner bank staffs and greater competition among banks themselves, base-level reporting does not cut it anymore. FormAtion Technologies Inc. has developed a new product which blends HMDA reporting with Community Reinvestment Act reporting features as well.

TEXT: **REGULATORY** COMPLIANCE SOFTWARE vendors are becoming increasingly innovative in their approaches to this market, itself a swiftly changing, competitive arena. To adapt to such market conditions, these third-party players are making use of relatively new and powerful technologies like geocoding, graphical user interfaces (GUIs) and mapping capabilities. Some are starting to combine features for different regulations into one piece of software, erasing a bank's need to set up an array of compliance products. And many of these features come with a price premium that vendors hope bankers will be willing to swallow in order to get their own edge on competitors.

Vendor representatives say their development approach has shifted because much has changed as far as what bankers expect from compliance software products. At one time, basic levels of functionality--such as reporting capabilities for a particular regulation, like the Home Mortgage Disclosure Act (HMDA)--were enough to establish a product in the market.

Now, in the wake of distributed computing, downsized and leaner bank staffs and greater competition among banks themselves, base-level reporting doesn't cut it anymore: "That's no great thing," says Matthew Chapman, president and CEO of CFI ProServices, Inc., a large compliance software company based in Portland, OR. "We write the HMDA reports, [other vendors] write the HMDA reports--big deal. It's not an adequate solution."
Officials at Denver-based FormAtion Technologies, Inc. (FTI), have undergone the same realization. In response, the company has developed a new product which blends HMDA reporting with Community Reinvestment Act (CRA) reporting features as well. The new product, called Geo Publisher, is due out this April, combining HMDA and CRA reporting and analysis. In part, Geo Publisher will replace Mortgage Publisher, FTI's original HMDA reporting software. According to Mark Winz, an evp at FTI, the product was originally developed "in order to protect our position in the marketplace as a compliance vendor." Adds Winz, "If we elect not to, we really would have an incomplete product line."

FTI is not alone. The struggle to become the leader in the compliance software market is fueling a search by many vendors to find a new angle--a product feature that will stand out from the competition. Leaders at companies like FTI and CFI are banking on customers wanting--and paying a premium for--a software product that surpasses basic functionality. And that could mean finding software that does just about everything associated with **regulatory** compliance.

"We disagree with 'a different product for every regulation,'" says CFI's Chapman. "You can find a bazillion products that will handle HMDA reporting

and another bazillion that will do mapping and some that will do geocoding and so forth."

Instead, vendors like CFI are seeking to integrate such disparate attributes into one package. A two-month-old CFI software product called ProActive offers HMDA reporting, data downloading from other sources, and data geocoding by geographic location.

Geocoding has become a software feature inherent in many compliance packages--now less of a novelty and more of a practical necessity. Using this technology, for example, a loan officer can interface loan data with either metropolitan statistical area (MSA) or census tract data to determine which neighborhoods are not being serviced in proportions set by lending regulations.

ProActive also offers a mapping feature, which allows users to visualize geocoded data on color maps of selected geographic locations. Currently, the enhancement is unusual, says Chapman, and he hopes this feature can give CFI an advantage in the market. At press time, ProActive was installed at approximately 20 banks ranging in size from community to super-regional since its November 1994 release.

But not all third-party software providers believe mapping is the key to a market-leading product. Bankers Systems, Inc., for example, a compliance software company based in St. Cloud, MN, chose not to go that route with its product, Census Trax Plus (CTP), which uses technology licensed from DataMap, Inc. Instead of performing its own mapping, CTP can export data to any separate mapping software the customer chooses.

"We purposely did not put a mapping component in Census Trax Plus, for a couple of reasons," says Hal Andrews, Bankers Systems vp for software sales and marketing. "One, mapping software tends to be somewhat difficult to use. Two, there's just no clearcut marketshare giant out there in mapping software."

Moreover, Bankers Systems officials believe bankers will not want to spend the extra money associated with an inherent mapping feature in compliance software. According to CFI, ProActive buyers will pay a minimum of $8,000 for a single license with census tract data for one state, as well as an annual service fee. A similar license from CTP costs approximately $1,500, plus an annual fee, says Andrews.

"You can't justify that price differential by saying there's mapping in there," Andrews says, referring to ProActive. Yet CFI's Chapman says that ProActive offers "significantly more" analysis capability than any other software on the market.

But even as the bigger players debate price/performance strategies to corner the compliance market, new vendors may be entering the picture looking for ways to steal it.

One of them is Orlando, FL-based Titus Compliance Software, Inc., which arrived in June with Windows-based **CRA -HMDA Reporter** . Including geocoding at the MSA level, HMDA reporting and tabular reports with graphing, the product is inexpensive--one single-state license runs about $995. But aside from price, Titus president Judith Binns feels the Reporter will be attractive to banks because of its Windows environment.

Says Binns, "We're betting on the fact that banks are going to go away from mainframes, get PCs and work with Windows. We think that people in banking are going to want to have computer tools that make their lives much easier."

THIS IS THE FULL-TEXT.
COMPANY NAMES:
FormAtion Technologies Inc
CFI Proservices Inc
ProActive Software Inc

US

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